

JPRS 76292

26 August 1980

China Report

ECONOMIC AFFAIRS

No. 78



FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Indexes to this report (by keyword, author, personal names, title and series) are available from Bell & Howell, Old Mansfield Road, Wooster, Ohio 44691.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

26 August 1980

CHINA REPORT

ECONOMIC AFFAIRS

No. 78

CONTENTS

NATIONAL ECONOMIC POLICY

| | |
|---|----|
| Significance of Net Output Value in Socialist Economy (Xiang Yutai; JIANGHAN LUNTAN, 15 Sep 79)..... | 1 |
| Socialist Competition in Industry, Commerce Discussed (XINHUA Domestic Service, 3 Aug 80)..... | 13 |
| Autonomy of Enterprises Must Be Expanded (Fang Ling; SIXIANG JIEFANG, 5 Jan 80)..... | 15 |

ECONOMIC PLANNING

| | |
|--|----|
| Views on Restructuring Planned Management System (Chen Yuandun, Sun Yongde; JIANGHAN LUNTAN, 15 Sep 79).. | 19 |
| Reforms Needed in Socialist Commercial Management (Zhan Hongsong; SIXIANG JIEFANG, 5 Jan 80)..... | 26 |
| 'NANFANG RIBAO' Discusses Economic Structure (Guangdong Provincial Service, 4 Aug 80)..... | 31 |
| Procedures for Proper Enterprise Management Outlined (Chen Yizhang; SIXIANG JIEFANG, 5 Jan 80)..... | 34 |
| Tianjin Meeting on Individually-Operated Businesses Held (Tianjin City Service, 25 Jul 80)..... | 39 |
| Briefs Anshan Managerial, Technical Training | 41 |

GENERAL ECONOMIC INFORMATION

Briefs

| | |
|--------------------------------------|----|
| Lanzhou Workers Differentiation Work | 42 |
|--------------------------------------|----|

FINANCE AND BANKING

Briefs

| | |
|----------------------------------|----|
| Fujian Banking | 43 |
| Guizhou Bank Managers Conference | 43 |
| Jiangxi Banking | 43 |
| Nei Monggol Loans | 44 |
| Xinjiang Tax Reduction | 44 |
| Zhejiang Revenue | 44 |
| Xizang Tax Holiday | 44 |

FUELS AND POWER

| | |
|--|----|
| 'Ba Yi' Blames Deng Xiaoping for Low Oil Production (Ba Yi Radio, 31 Jul 80)..... | 45 |
|--|----|

Briefs

| | |
|-------------------------------------|----|
| Heilongjiang Energy Conservation | 47 |
| Heilongjiang Geological Research | 47 |
| Heilongjiang Hydroelectric Stations | 47 |
| Qinghai Hydroelectric Station | 47 |
| Shanghai Transmission Line | 48 |
| Japanese Petroleum Agencies | 48 |
| High-Tension Submarine Cable | 48 |

MINERAL RESOURCES

| | |
|--|----|
| Scientists Develop Research on Rare Earth Elements (XINHUA, 13 Jul 80)..... | 49 |
|--|----|

Briefs

| | |
|---------------------------|----|
| Liaoning Geological Group | 50 |
|---------------------------|----|

HEAVY INDUSTRY

| | |
|---|----|
| Development of Machine Building Industry Discussed (Zhao Dongwan; JINGJI GUANLI, 15 May 80)..... | 51 |
|---|----|

LIGHT INDUSTRY

Briefs

| | |
|------------------------|----|
| Qinghai Industry | 59 |
| Salt Society Founded | 59 |
| Shandong Textile Mill | 59 |
| Liaoning Silk Industry | 59 |

CAPITAL CONSTRUCTION

Briefs

| | |
|--------------------------------------|----|
| Anhui Urban Housing Construction | 60 |
| Anhui Municipal Housing Construction | 60 |
| Guangdong Capital Construction | 60 |

DOMESTIC TRADE

| | |
|--|----|
| Traditional Crafts in Rural Areas Being Developed (XINHUA, 14 Jul 80)..... | 61 |
| Beijing Trade Fair Does Brisk Business (XINHUA, 1 Aug 80)..... | 63 |
| Shanghai Served by 10,000 Traders, Peddlers (XINHUA, 4 Aug 80)..... | 64 |
| 'RENMIN RIBAO' Runs 'YUNNAN RIBAO' Commentary on Peddler Licensing (XINHUA Domestic Service, 10 Aug 80)..... | 66 |
| Briefs | |
| Beijing Metallic Material Market | 68 |
| Guangdong Trade Fairs | 68 |

FOREIGN TRADE

Briefs

| | |
|--------------------------------|----|
| Anhui Exports | 69 |
| Guangdong County Foreign Trade | 69 |

TRANSPORTATION

| | |
|---|----|
| Experts, Officials Discuss Use of Changjiang River (Xu Shijie, et al.; XINHUA Domestic Service, 10 Aug 80)..... | 70 |
|---|----|

NATIONAL ECONOMIC POLICY

SIGNIFICANCE OF NET OUTPUT VALUE IN SOCIALIST ECONOMY

Wuhan JIANGHAN LUNTAN [JIANG-HAU FORUM] in Chinese No 3, 15 Sep 79 pp 8-14

[Article by Xiang Yutai [7309 5940 1132]: "Rights, Interests, and Objective Basis of Enterprise Autonomy"]

[Text] Actual economic reforms have led to a number of theoretical questions, including, among others, the proper position of the theory of enterprises in political economy; the rights, interests, and objective basis of autonomy for enterprises; and the economic categories which reflect the rights and interests of autonomous enterprises. This article is my effort to offer to the public for further discussion my views on these questions:

1. Some comrades point out that to arrive at the proper position for the theory of enterprises in political economy, we must abandon our approach whereby we study of enterprises only from the viewpoint of management. I agree. The system of economic management, a representation of economic relations in the superstructure, must rest on economic relationships and laws as the objective basis to reflect its requirements, even though these are controlled by state policy and regulations. Consequently, political economists are dutybound to study enterprises in the context of economic relations in order to work out a theoretical economic basis for the establishment and reform of the system of economic management. In the past, when we talked about enterprises as parts of political economy, we usually put our emphasis on publicizing the current system of policy management adopted by the state. That is not the best way to handle our tasks.

If that were the case, what position should the theory of enterprises have in political economy?

Personally, I believe that enterprises, the cells in the structure of socialist economy, might very well be the starting point for analyzing socialism in political economy.

The study of political economy, guided by dialectical materialism, should begin with an analysis, by means of scientific abstraction, of the cells of the socialist economic structure, from its simple basic relations to complex and concrete relations, and from an analysis of the formation of the

formation of the individual cells to a comprehensive study of the totality. This would lead to the formation of a system of theory which moves from the abstract to the practical categories. Marx "began with the simplest element of capitalism, commodities, and made a careful study of the economic structure of capitalist society."¹ This may serve as a model of our method of approach. In the past, when we studied socialism as a part of political economy, we analyzed the totality, and, as a result, fell into a mass of complex relations. So the conclusions we reached were either ambiguous generalities or mere arrays of phenomena, or even distortions. I am sure we all agree as far as this goes.

I do not think the system of socialist ownership is a suitable starting point for our analysis. Many comrades say that ownership, which covers the entire area of production relations, must not be regarded as merely a question of who owns the means of production. In reality, to say that the capitalists own the means of production without explaining how they use means of production and hired labor to produce surplus value is not adequate to explain the nature of that system of ownership. By the same token, "public ownership" alone, without an analysis of how the public-owned means of production combines with labor and how the fruit of labor is distributed, does not represent a thorough understanding of the socialist system of ownership. This kind of simplistic concept of "public ownership" is accountable for our chronic failure to study the rights and interests of autonomous enterprises. Thus, the socialist system of ownership could only serve as the premise of our study. We must look for a suitable starting point to begin our step-by-step analysis of the characteristics and laws of the economic relations embodied in this system of ownership. Furthermore, as we begin our study, we may have to put aside for the time being such traditional forms of ownership as collective and individual ownership, and take ownership of the means of production by the whole people as the only premise. This may help us to "observe such essential element as it matures and becomes a representative pattern"² and to feel free to concentrate on the internal relations of the ownership of the whole people without being trapped by the external relations of various forms of ownership. Even though logic should be based on historical observations, no system of logic should fit mechanically the process of history. We must learn from Marx, who studied capital before he studied the ownership of land.

It is equally inappropriate to take commodities as the starting point of our analysis. Historically speaking, the capitalist economy emerged from the production of simple commodities, while the socialist system developed from a repudiation of the capitalist system. Viewed as a matter of logic, capitalist political economy could not possibly deal satisfactorily with surplus value unless it had dealt successfully with the theory of labor value. While it is unnecessary to rehash the general concept of commodity value in socialist political economy, it is essential to understand the nature of socialist production relations before attempting to understand the nature of socialist production of commodities. Moreover, capitalist economic relations are completely hidden inside the shell of commodities.

We would not be able to crack this outer shell of the secrets of capitalist production unless we dissected the cell formation of this source of wealth of the capitalist economy. The socialist society is a social formation begun with society exercising planned control (though by no means completely) over the process of production, and relations between individuals are not completely hidden inside the shell of commodities. Consequently, instead of starting with a study of the cell formations of wealth, we may begin directly with the cell formations of socialist production, known as the economic organization of enterprises. Differing in specialization and size, and numerous enough to cover the whole country, they are the basic production units of socialist economy and the principal units of exchange and distribution. Only by analyzing these cells can we thoroughly understand how the means of production and labor combine, how commodities are produced, and how profits are distributed. This provides a basis, the only basis, for studying the exchange relations between various units and departments and the redistribution of national income. Thus, the enterprises which embody the basic relations in socialist economy provide a basis for a comprehensive study of the structure of the socialist economy. As scientific abstractions must analyze the parts before composing the whole, taking enterprises as the starting point of our analysis should be acceptable methodology.

2. At present, we all agree that every enterprise must have certain autonomous rights in business operations and enjoy independent interests tied to business successes. Only by making these rights and interests the motivating force in the business of the enterprises can we get rid of such attitudes of indifference as "it makes no difference to me whether business is good or bad," or "it makes no difference whether business makes a profit or loss." So this is the correct approach.

But how can the autonomous rights and interests of an enterprise become the motivating force of its business?

Previously, most people regarded the two systems of socialist ownership as the only cause of the existence of commodity production and the active role played by the law of value. They believed that certain rights and interests of independent accounting enjoyed by enterprises owned by the whole people arose from "the influence" of the law of value or its application of enterprise management. This is an ambiguous and distorted view. The role of economic laws springs directly from the nature of specific economic relations. It is impossible to impose a certain economic law on an irrelevant economic relationship. Even though the law of one kind of economic relations can have a certain external impact on another kind of economic relations, it is by no means the motivating force of its development. As attested by reality, the basis accountable for the influence of the law of value on the business development of an enterprise is its management rights and material interests related to the law of value. Without this basis, the value of products, whatever it may be, would make no difference to the enterprise. To be more precise, production by a socialist enterprise, to a certain extent, is the production of value, and [the enterprise] must

have the right to manage its business and enjoy material interests according to the law of value. The role of the law of value "would be indifferent" in all cases if we denied that the production of an enterprise produces value and that an enterprise did not have the autonomous right and interest to operate according to the law of value. This means we must analyze the economic relations of the enterprise to get at the inherent reason why it has to depend on its autonomous rights and interests as the motivating force of its business. If the state uses the law of value to manage business, it will not generate the motivating force.

What is the basic nature of the economic relations of a socialist enterprise?

Marx said: "Labor and the means of production are always elements of production, no matter what the social form of production is.... Whoever engages in production must combine the two. The specific forms and methods by which the two are combined represent different social structures of different economic eras."³ With this as a criterion, we can see that socialist enterprises are production units organized collectively by workers who have become masters of society. This collective production entity controls and uses the means of production owned by the whole people to produce by its collective labor the goods needed by society and creates income for this collective entity. That is to say, a socialist enterprise plays a double role. On the one hand, it is the economic organization of the ownership of the whole people, and on the other it is the collective economic organization for distribution according to work. In other words, it is an economic organization of collective labor which combines with the means of production owned by the whole people and is compensated according to work. This unique nature of socialist enterprises owned by the whole people differs from capitalist enterprises, in which the capitalists combine the means of production they own and the labor they hire; it also differs from the basic communist economic organization, in which the means of production owned by the whole people combine directly with labor and the workers are compensated according to need.

Marx' profound discussion of the distribution of the total output under socialism in his "A Critique of the Goethe Program" still provides important guidance to the application of socialism. But scientific predictions could not be absolutely complete and accurate. They have to be supplemented and revised in practice. In describing the distribution of products under a socialist system, Marx identified only two objects--namely, society and the individual producers. He said: "After allowing various deductions, each producer receives from society what he has given to it.... The amount of labor which he gives to society in one form comes back to him in another form."⁴ According to this principle, the labor of the individual producer is converted directly to social labor, and its equivalent is claimed back from society in consumer goods. Although Marx pointed out that what transpires in distribution according to work is exchange of equal values, he found it unnecessary to adopt the exchange of commodities. Actual experience shows that an important link, a production unit or enterprise, must be

introduced between society and the individual producers. Both Lenin and Stalin spoke about the question of using business accounting by enterprises. But it is Chairman Mao who made an important contribution in his article "On 10 Great Relations," in which he recognized that the production units between society and individual producers were independent units with rights and interests, and treated the relations of the three as the basic economic relations under a socialist system.

The significance of the link provided by enterprises under the socialist system is that, since the level of social productivity is limited and centralized, allocations by society cannot distribute enough products to satisfy the needs of the members of society. These enterprises therefore constitute not only the collective production labor organization but also independent collective economic organizations which depend on the collective labor of their members to create their own income. There are still a limited number of individual production workers under the socialist system, but judging by the overall picture and the major departments and areas of the national economy, the personal labor of individual producers has merged with the collective labor of enterprises in which individuals are no longer units of production. The quantity and quality of the collective labor of enterprises can be assessed only by what is produced. Thus, the only practical way is to recognize various enterprises as independent collective producers and owners of their own products. Through exchange of commodities for equal value, the enterprises are compensated for the labor they contribute. After making various withholdings for society, each individual worker receives an amount of consumer goods according to the amount of labor he contributes to the collective productive effort. In short, under the socialist system, both collective and individual labor receive compensation equal to the amount of work they have done. There is no room for society-wide equalitarianism. Since collective labor produces manufactured products, compensation in equal value is achieved by exchanges of commodities of equal value. Since the individual workers do not have separate products of their own, they are compensated by distribution according to work. The principle of distribution according to work could not be fully carried out if we did not recognize the independent and distinct characteristics of the collective labor of each enterprise, denied the role played by the law of value in these enterprises, and did not recognize the independent and distinct characteristics of the labor of each individual workers. This is basic objective reason why enterprises should have their autonomous rights and interests. For a long time, we have been imposing a monopoly over the revenue and expenditure of enterprises, a centralized system of purchasing and marketing their products, and a uniform nationwide standard of wages. In reality this is a refusal to acknowledge the independent and distinctive characteristics of various enterprises and their autonomous rights and interests as collective economic organizations to carry out distribution according to work, and it means we treat them as mere factory workshops which play only the role of labor organizations. The entire society is like a big messhall which is accountable only to the whole people. The income earned by successful enterprises is shared by the

whole people, who also share the losses sustained by incompetent enterprises. This is contrary to the law of value and the principle of distribution according to work, both of which exist objectively on the foundation of the economic relations of enterprises. To regard enterprises only as entities owned by the whole people, without accrediting them as collective entities, is bound to breed equalitarianism--"treating everything equally."

The dual nature of enterprises reflects the dual nature of their productive labor. An enterprise, a collective entity of workers, is not only part of the entire system of social division of labor for meeting the needs of society, but also a collective economic entity for distribution according to work, earning its own income. Since labor is inevitably the vehicle for individual workers to make a living under the socialist system, the collective labor of an enterprise is no doubt the means to earn its own income. Consequently, all enterprises will be willing to contribute their labor to society when they are compensated in value equal to their labor. Likewise, only when the quantity and quality of the collective labor of enterprises meets the requirements of society will the latter grant the former social approval and compensation in equal value. Inasmuch as the enterprises contribute their collective labor to society by providing products, this kind of labor has to be converted into material value, controlled by the law of value, and subject to social accounting for its quantity and quality before it can actually become socialized labor of the whole people. We once had an erroneous concept that the labor of enterprises owned by the whole people is socialized labor. That is a denial of the collective nature of the labor of the enterprises. The whole society paid for a tremendous amount of ineffective labor when we adopted state monopoly over the purchase and marketing of the products of the enterprises and state control over their revenues and expenditures and put such a concept into practice. As a matter of fact, "extensive organization of free labor to satisfy the needs of the whole nation"⁵ can exist on a large scale only under communism. By that time, individual and collective income will no longer be directly related, even though the labor of every individual and every basic-level organization still has to be carefully accounted for by society. Instead, they will merge directly with the total labor and total income of society. The labor of both individuals and collective entities will merge directly with the total labor of society without having to be converted into material value.

The dual nature of enterprises also reflects the dual nature of the socialist system of ownership of the means of production, which are owned by the whole people but separately controlled and used by various enterprises. They are not only the material means, by which society raises the level of the material and cultural lives of the people, but also the material vehicle for the enterprises to seek their collective income. Thus, they are society's capital for reproduction and the operating capital which the enterprises have the autonomous right to use for running their business. Under private ownership, especially capitalist private ownership, the ownership and control of the means of production are separated under certain conditions. For example, the separation may take the form of economic

transactions such as the lease of land, loans, share companies. In substance, an owner, while retaining his ownership, may transfer to a possessor the right to use the means of production, and at the same time he exacts from the possessor a part of the proceeds from production. This kind of separation under private ownership implies exploitation of the possessor who uses the means of production by the owner, or joint exploitation of the workers by both the owner and the possessor. The separation of ownership and of possession of the means of production also exists under the socialist system with entirely different economic implications: unity of the whole people in ownership, but autonomy of enterprises in possession. In reality, society distributes the means of production owned by the whole people to various collective producers to possess and use autonomously in order to produce goods required by society and in order to earn income for themselves as collective entities. The quantity and quality of the means of production, the material required to manufacture products, bears heavily on how the enterprises produce their goods. The utilization value of the means of production, in terms of the independent accounting of various enterprises, is a factor bearing on their margin of profit. Thus, when society provides various enterprises with the means of production, it reserves the ownership and takes a given amount of profit. On the one hand this insures the rational distribution and economical use of the capital of the whole people by the various enterprises, and on the other hand it readjusts the differences in profit earned by them due to differences in the distributed material supplies, so that the profit each enterprise retains equals its collective labor as closely as possible.

What we have stated above leads us to see the basic difference between socialist ownership of the whole people and communist ownership of the whole people. Under communism, the means of production are still possessed and used by economic organizations at various basic levels, but they are no longer a material vehicle which these organization may control and use independently for their own profit. The products, no longer owned by the organizations which produce them, are allocated and distributed uniformly by society. By that time, the relationship between these organizations and the means of production which they possess and use will be the same as that between factory workshops and the means of production which they possess and use.

The dual nature of enterprises gives them a combination of two motivating business forces. The interests of society as a whole constitute the basic interests of all the people, and the system of ownership of the whole people keeps these interests above the interests of all the collective entities and individuals. Consequently, the interests of the whole people is the basic motivating business force of various enterprises. As collective economic organizations for distribution according to work, however, these enterprises are concerned about their own collective interests which they regard as the direct motivating business force. To deny enterprises their basic motivating business force would lead to selfish departmentalism. On the other hand, equitarianism would emerge if they were denied their direct motivating

business force. Only by combining the two is it possible to meet the needs of the united and severally independent socialist relations of material interests of society, enterprises, and workers and achieve the speedy and healthy development of the enterprises.

The dual economic relations of enterprises reflect a need for the inclusion in the superstructure of a system of dual economic management. As socialized large-scale productive forces must be placed under public management, the ownership of the whole people is established to meet this particular need. Thus, society has to impose unified management and plans upon various enterprises. At the same time, the rights of enterprises to enjoy autonomy in business operations and accounting are also necessary to encourage them, as the collective entities of labor, to work actively as owners according to state plans and social needs in developing the potential of personnel and material resources in order to make business successful and profitable. To reflect the objective nature and economic laws of enterprises, the system of economic management must combine the unified management required by society and the autonomous operations by the enterprises in order to activate the positive factors inherent in economic relations and the speedy development of productivity.

1. There must be appropriate new concepts to express correctly the unique nature of production relations of socialist enterprises and their autonomous rights and interests founded thereupon. Economic categories are the theoretical manifestations of production relations. But theory must accurately reflect reality before it can provide guidance in practice. It is therefore essential to see to it that concepts do agree with reality. There are new concepts by foreign economists in this particular field; we may learn about them and adopt those that are most suitable. It is unnecessary to follow those obsolete concepts passed on to us by the Soviets.

For instance, "wages" as a concept is a product of the wage labor system and is used to express the money paid for the labor of individual workers. It seems to imply that the relationship between workers and enterprises is nothing more than working for money. Frankly speaking, we have been using certain methods which resemble the wage labor system. The most obvious example of this is the uniform and fixed wage system which is entirely unrelated to the business of the enterprises. It is uniform throughout the country, fixed long before the enterprises begin to produce, and required to be paid accordingly. The enterprises are responsible only to the state for their business results, about which the workers do not have the right or the need to be concerned. There is no room here for the kind of socialist relationship in which the workers, already the masters of the enterprises, endeavor to create income in the production operations of the enterprises in order to benefit the state and themselves.

Again, the concept of "cost" would not agree with reality if it still stood for $C + M$. Marx pointed out long ago: "The capitalist cost of commodities is based on the amount of capital spent, whereas the real cost of commodities

is the amount of labor consumed."⁶ Consequently, $C + V$ as the cost for producing commodities "represents the unique nature of capitalist production."⁷ In the case of socialist enterprises, where the workers are the masters, why not compare production results with the amount of labor consumed? As reflected in practice, this deviate concept leads enterprises to overlook the amount of human labor consumed and the results thereof, and especially the unreal low cost brought about by low wages.

If the concept of $C + V$ as cost cannot be sustained in the socialist enterprise economy, the concept of "profit" is even worse. Profit, a mysterious concept of surplus value, is regarded as the outcome of the total amount of capital advanced. "This mysterious concept no doubt comes from the capitalist form of production."⁸ Under the socialist system, we ought to express unequivocally that labor is the source of all income, and that "profit" is but a withholding by society from the income created by labor--something coming from the people and to be used for the people. It would be misleading if we continued to use this mysterious concept of "profit," the net result of $C + V$. Can you see that this concept of profit has in practice created the impression that the business fruit of enterprises has nothing to do at all with the income of the workers?

Personally, I think it is necessary and beneficial to replace these old concepts, branded "socialist," with new concepts which represent the true nature of enterprises.

As stated above, all socialist enterprises involve both the whole people and the collective entities. The collective autonomous rights and interests of enterprises spring from the independent nature of collective labor under the socialist system. Using its own collective labor and the means of production owned by the whole people, an enterprise produce goods required by society on the one hand and creates its own income on the other. Thus, socialist production must cover the production of use value and net output value. This means it must produce an amount of use value required by society and at the same time work through its collective labor to produce a total output value exceeding the value of the means of production consumed during the process of manufacture. The means of production, now incorporated in manufactured products, creates a converted value instead of any new value or income to the manufacturing enterprise. The new value comes from the collective labor of the enterprise incorporated in its products. Deducting the converted value from the total output value, the enterprise arrives at its net output value--the income which the enterprise may distribute accordingly.

The concept of net output value is by no means new. It is used as an economic quota in planning and statistics both in China and abroad. In terms of economics, I personally believe it may be used to demonstrate the characteristics of socialist production and to serve as an objective basis for the autonomous rights and interests of socialist enterprises.

First, it shows the unique nature and objectives of socialist production. It differentiates socialist production from capitalist production. The capitalist enterprises produce by means of $C + V$ provided by capitalists to obtain M . Consumption by workers, which is never an objective of production, is subordinate to the drive to secure maximum surplus value. In a socialist enterprise, the workers who are its masters use C owned by the whole people and their own collective labor to obtain maximum net output value ($C + V$)--the objective of production, which includes individual consumption by the workers and the overall needs of the enterprise itself and society at large. These needs are better satisfied as net output value increases. It also shows the difference between communist basic-level economic organizations and social enterprises. Communist basic-level economic organizations produce to satisfy directly the needs of the whole society. Although the amount of labor consumed and the results thereof have to be assessed, they are not considered as their own independent rights and interests. A socialist enterprise produces certain use value to meet the needs of society, but it is compensated in equal value. Net output value is the independent achievement of its collective labor, and therefore it forms its independent collective benefit.

Second, it is a real measure for assessing the achievement of the collective labor of an enterprise. As total output value ($C + V + M$) is the converted value of C owned by the whole people, increasing as C increases, it cannot accurately reflect the achievement of the collective labor of an enterprise. That part of the value of products withheld for society at large (M), excluding the achievement of collective labor, would increase by cutting back V , and it therefore also cannot accurately reflect the achievement of the collective labor of an enterprise, which can be assessed only by the net output value ($V + M$). Inasmuch as the value of the products of an enterprise is determined by the necessary amount of labor needed by society, an enterprise will not be able to secure the net output value to meet its own consumption unless the total amount of both materials and human labor it expends meets the required consumption of society. Thus, these two kinds of consumption of an enterprise constitute the cost or production expenses of its products. Once the total value of the products of an enterprise is set, any additional consumption of material labor decreases its net output value. If the productivity of its human labor is lower than the general average, it will not be able to earn the net output value it otherwise could earn. On the other hand, if the consumption of material labor by an enterprise is lower than the general average and the productivity of its human labor is higher than the general average, it should receive above-quota net output value. These is the substance of the profit and loss of a socialist enterprise. Unlike the case in a capitalist enterprise, cost includes all the labor consumed, and achievement covers the benefit due each individual worker. This explains the true nature of production by a socialist enterprise. The significance of the profit and loss of an enterprise is its direct effect on the amount and level of its distributable income. The part of the income of an enterprise withheld for society, though separately accounted for, could not be a basic measure for assessing the achievement of the

enterprise, as it is not a question of distribution. A production brigade which sets aside too large an amount for its sinking fund, for instance, is not necessarily a successful brigade. Thus, the suggestion to make profit rate the basic quota for assessing the performance of enterprises is questionable, as it may result in overlooking the income of individual workers.

Third, [net output value] forms the common source and basis of the interests of society, enterprises, and workers. When an enterprise realizes its net output value by selling its products, it has a distributable income which is distributed as the withholdings for the whole people (the state), the withholdings of the collective entity (the enterprise), and the income of the individual workers. These distributed incomes are used for two purposes: namely, accumulation (accumulation by the whole people and the collective entities) and consumption (by the whole people, the collective entities, and individuals). These three kinds of income are derived from the net output value of enterprises, and the purposes for which they are spent are mutually dependent and complementary. Any time production develops and net output value increases, these three kinds of income will increase, as will accumulation and consumption, and the welfare of all three will also improve. When the level of development of production and net output value become stabilized, however, contradictions are likely to develop between the three kinds of income and the purposes for which it is spent. Inasmuch as these contradictions are identical in basic interests, the contradictions between the group and the individuals, as well as those between long-range and immediate interests, are not antagonistic and could be coordinated and settled before they become violent. In fact, the rational solution of various contradictions might activate productivity and social progress.

Consequently, the concept of net output value reflects not only the nature of production of socialist enterprises but also the quantity of the fruits of their production. It might serve as a basis for returning various forms of benefits arising out of the distribution and redistribution of the fruits of production of the enterprises. So I think it is quite possible to establish a new system of socialism in political economy by analyzing enterprises in connection with the production and distribution of their net output value. I earnestly invite public comments on this approach.

FOOTNOTES

1. "Selected Works of Mao Zedong," People's Press, 1953, Vol 3, p 819.
2. "Selected Works of Marx and Engels," People's Press, 1972, Vol 2, p 122.
3. "Das Kapital," People's Press, 1957, Vol 2, p 44.
4. "Selected Works of Marx and Engels," People's Press, 1972, Vol 3, pp 10-11.

5. "Selected Works of Lenin," People's Press, 1972, Vol 4, pp 143-144.
6. "Das Kapital," Vol 3, p 33
7. Ibid.
8. "Das Kapital," Vol 3, p 44.

5360

CSO: 4006

NATIONAL ECONOMIC POLICY

SOCIALIST COMPETITION IN INDUSTRY, COMMERCE DISCUSSED

OWO40037 Beijing XINHUA Domestic Service in Chinese 1230 GMT 3 Aug 80

[Summary of RENMIN RIBAO 3 August commentator's article: "Develop and Safeguard Socialist Competition"]

[Text] Beijing, 3 Aug--In the past year and more, industrial and commercial units and units of other trades in some areas started competition in quality, variety, price and service, thanks to the implementation of the principle of "readjustment, restructuring, consolidation and improvement" and particularly to the expansion of the enterprises' decisionmaking right. This ended the stagnant and passive condition of factories, mines and other enterprises and began to animate the enterprises and stimulate production. Experience shows that competition based on public ownership of the means of production and under the guidance of state plans plays an important role in bringing forth the initiative and enthusiasm of the production units and workers. It develops their strong points and avoids shortcomings. It highlights their superior aspects, promoting combined operation and expanding economic results.

After analyzing competition under the socialist condition and that under the capitalist condition, the article says that these two are different in nature. Their goals, means and results are all different. Competition under the capitalist condition means jostling against one another, the weak becoming the prey of the strong, people of the same trade becoming natural foes, and people advancing themselves at the expense of others. The end results find some going bankrupt, others becoming upstarts and life-and-death struggle becoming commonplace. Competition under the socialist condition is conducted between socialist enterprises under the guidance of state plans and is limited in scope. It encourages and protects the advanced and spurs on and pushes forward the backward. This enables the advances to first become perfect so more profits can be turned in to the state, collective welfare can become better and the living standard of the staff and workers can improve. It compels the backward enterprises to improve their management and competitive power. As for those enterprises not plagued by poor management but which have real objective difficulties, departments concerned should give

them concrete assistance to enable them gradually to become better off. Of course, competition under the socialist condition will also eliminate some enterprises. Here, elimination is totally different from capitalist bankruptcy. As far as enterprises are concerned, this elimination chiefly means (?) a merging with other enterprises) or a change in the line of production. As far as workers are concerned, there will be no unemployment problem.

Speaking of some comrades' anxiety over competition, fearing that it may disrupt state plans, the article points out: This anxiety is understandable and such problems can be solved. Despite competition, the fulfillment of the state production and marketing plans must be guaranteed. This principle should be maintained without fail. It is a matter of course that a contradiction exists between competition and plans. However, under the guidance of the state plan, if adjustment of the plans is coordinated with the adjustment of the market supply and demand, not only the contradiction can be solved but it will make up for the plans' shortcomings.

The article says: As long as there is commodity production, there will be adjustment of the market supply and demand, the law of values will come into play and competition among socialist enterprises will be unavoidable. Therefore, we must allow and protect competition. We should not only overcome the anxiety in our minds about competition, but we should break up the interarea and interdepartment obstruction to competition. No area or department should monopolize the market by prohibiting the marketing of other areas' commodities in its own area or department. Also, no area or department is allowed to block the exportation of its raw materials in accordance with the state plan. All measures to protect the backward, suppress the advanced and obstruct the normal circulation of commodities by administrative means are illegal and should be abolished.

The article points out: In the course of competition, the enterprises' decisionmaking right must be respected. No area or department should interfere at will with the enterprises' rights regarding their production, marketing and financial affairs permitted by the state's policies. Contracts and agreements signed between enterprises should be protected by the law of the state.

The article says: Competition has just begun. We should give judicious guidance according to circumstances regarding new situations and problems in the course of competition. Governments and departments responsible for the pertinent work at all levels should strengthen their leadership over competition; do a very good job in serving, overall planning, coordination and supervision; solve in good time the new contradictions and problems cropping up in the course of competition; and guide enterprises to better production and management in order to avoid blind production resulting from competition.

NATIONAL ECONOMIC POLICY

AUTONOMY OF ENTERPRISES MUST BE EXPANDED

Nanning SIXIANG JIEFANG [IDEOLOGICAL LIBERATION] in Chinese No 1, 5 Jan 80
pp 59-61

[Article by Pang Ling (2397 3829): "On Expanding the Decisionmaking Power of Enterprises in the Economy"]

[Text] Expanding the autonomy of the enterprises is a crucial link in reforming the management of our entire economy. At present, the people of the whole country are extremely concerned about this problem. Both economic theoreticians and comrades in practical economic work are engaged in heated debates. The following is a summary of the views on a number of problems related to the expansion of the autonomy of enterprises.

There is a greater consensus in the following aspects of the problem of expanding the autonomy of enterprises.

1. Reasons for expanding the autonomy of enterprises. The expansion of the autonomy of enterprises is an objective requirement of socialist economy. In the first place, one of the serious drawbacks of our existing system of management of the economy is excessive centralization of power. The production and business operations of the enterprises are controlled completely by mandatory quotas handed down by the state. Financial matters such as receipts and disbursements, the purchase and sale of products, equipment and material supplies, and the hiring and firing of employees are handled uniformly by the state. This "omnipresent control" deprives the enterprises of their autonomous rights of management and adjustments of personnel, finances, materials, production, supply, and marketing. It cuts off the organic connections between production, exchange, distribution, and consumption in the socialist economy and stifles the activism, initiative and creativity of the enterprises. As a result, it retards the progress of business and management, slows down the development of production and technology, arrests economic efficiency, and encourages bureaucratic practices. We have to expand the autonomy of enterprises to overcome these drawbacks. Secondly, the enterprises are the basic units of socialist production and the foundation of the national economy. We depend on the production and business activities of the various enterprises to realize the objectives of socialist production.

Consequently, the pace of development of the national economy and the degree of abundance of products for society are related directly to the activism of the enterprises and this can be mobilized only by allowing them to enjoy reasonable autonomy in business management. When an enterprise enjoys autonomy, it is able to enforce strict economic accounting to balance its receipts and expenditures and tie together more closely the income of the enterprise and that of its staff and workers, on the one hand, and the size of its contributions to the state on the other. Gearing its economic activities to earning more profit, the enterprise voluntarily improves its business management, explores its potentials, and introduces renovations and reforms in order to produce faster, better, and more economically. Furthermore, in a socialist economy, which is a planned commodity economy based on public ownership of the means of production, all enterprises are relatively autonomous producers of socialist commodities. Every enterprise, guided by state plans, ought to have the authority to organize its production according to economic laws, the law of value, and market demands in order to cut back the consumption of labor and material in order to lower production costs and earn more profit.

2. The kinds of autonomous power in enterprise needs. The consensus now is that an enterprise ought to have autonomous power in the following areas: (1) Power to retain a part of the profit. An enterprise, guided by the ratio prescribed by the state, should keep a part of its earned profit in order to expand production and provide collective benefits and bonuses for its staff and workers. In other words, the state, the enterprise, and its staff and workers should share the benefits. (2) Power of business management. An enterprise, committed to the implementation of state plans, ought to have the authority to draw up supplementary plans to run its production according to the demands of the market and the requirements of the state. Products covered by supplementary plans but not subject to procurement by the commerce, foreign trade, and material resources departments should be sold by the enterprise at a price within the range set by the state. In addition to supplies allotted it by the material resources department, it ought to be allowed to purchase, through various channels, whatever material supplies it needs. (3) Power to retain more of an allowance for depreciation of fixed assets. Geared to make more profit, an enterprise should be permitted to retain more of an allowance for depreciation of fixed assets in order to procure new equipment favored by the congress of representatives of staff and workers. (4) Power to share foreign exchange. An enterprise should be able to apply for permission to export its products according to foreign market demands and share a certain percentage of the foreign exchange in order to import new technology and new processes and dispatch its people abroad for study and visits. (5) Power to appointment and removal of employees. Guided by labor quotas planned by the state, an enterprise should be able to hire the best qualified workers after careful evaluation. It should be able to reward or penalize its staff and workers on the strength of their performance. At the same time it should be able to hire and fire middle and lower level cadres, according to its organizational structure and equipment. Its leading cadres should be elected in a democratic way.

3. The way to expand the autonomy of enterprises. There are several requirements for making the expansion of autonomy of enterprises a success. First, approach the problem positively but proceed cautiously. While we must liberate our thinking and break away from conventional restraints, we must proceed methodically under effective leadership, always mindful of objective reality. [Autonomy] may be tried in certain enterprises at first and then extended to all enterprises when accumulated experience warrants a nationwide campaign. Second, follow closely the principle of coordinating both planned adjustments and market adjustments to allow a given degree of price fluctuation, provided it stays within the price policy of the state. There ought to be some competition, but not to the extent of treating the labor force as a commodity and a currency convertible into capital. Third, combine both economic and administrative measures. Even though economic measures ought to prevail, there still must be room for scientific administrative measures, such as economic adjudication and legislation to protect the power and rights of enterprises and to monitor the discharge of their economic obligation. Fourth, to protect the interests of the state, the enterprises, and the staff and workers, insure the interests of the enterprises and their staff and workers after having secured the state revenues. Fifth, be sure to combine political and economic work and step up political ideological education urging the enterprises and their staff and workers to have due regard for the interests of the whole country, to contribute as much as possible to the four modernizations, and to reject anarchism. Sixth, install socialist democratic management and give expanded authority to the whole body of staff and workers of the enterprises. All important problems relating to the production and business of an enterprise--such as the drawing up of production plans, the distribution and use of its sinking fund and the appointment and removal of important personnel--must be deliberated and decided by the congress of representatives of staff and workers so as to achieve genuine political democracy, economic democracy, and democracy of livelihood.

There are also differences of opinion regarding the expansion of autonomy of enterprises.

One of the questions is whether the ownership of the means of production in the hands of the whole people is separable from its possession, control, and use. One school of opinion is that in a socialist society, where there is public ownership of the means of production, the ownership is in the hands of the whole people. The ownership, possession, control and use of the means of production by enterprises are inseparable. If the enterprises did not have ownership, where would the ownership of the whole people be? The concept that they are separable is actually a denial of the system of ownership of the whole people. Another view is that since the productivity and socialization of production, at their present stage in our country, have not reached the degree where the workers and the means of production can directly merge in a society-wide scale, as in a fully developed socialist society described by Marx, the means of production can be possessed, controlled and used only by enterprises owned by the whole people which engage

individually in production and business to realize the ownership of the means of production of the whole people. Thus, the ownership, possession, control and use of the means of production in the hands of enterprises owned by the whole people are separate. Those comrades who share this view believe that the ownership of the whole people at the present stage in our country is incomplete ownership of the whole people characterized by unity of the whole people in ownership, on the one hand, and by divisibility in autonomy of the enterprises in business management on the other.

As for the question whether an enterprise owned by the whole people is accountable for its profits and losses, one group believes that an enterprise owned by the whole people should not be held accountable for its business profits and losses, because such a policy would defeat the purpose of ownership of the whole people. Some even believe that since different objective factors could lead to different levels of profits and losses for different enterprises owned by the whole people, the profits and losses of such enterprises do not necessarily reflect the degree of its economic efficiency. Consequently, they should not be accountable for their business profits and losses. Those comrades who view the problem differently argue that enterprises owned by the whole people should be accountable for their own profits and losses, without jeopardizing ownership of the whole people as a system, because an economic system is judged objectively by its economic efficiency and how effectively it propels the growth of productivity. To make enterprises owned by the whole people accountable for their profits and losses would get them to improve their business management, to care about business achievements, to carefully plan their personnel, financial, and material resources as well as their production, supply, and marketing, and to endeavor to consume the least amount of labor for the maximum economic results. As for the differences in profit and loss of the enterprises due to different objective factors, if the state absorbs these differences by taxing their possession and use of their fixed assets and evens up the differences in material resources by taxation, the profits and losses of the enterprises could reflect their true economic efficiency.

With regard to the question as to whether enterprises should compete against each other, one group believes that socialist enterprises should emulate instead of compete against each other, because competition is a product of the capitalist system of private ownership. Another group, however, argues that since the socialist economy is both a planned economy and a commodity economy in which the law of value plays a readjustment role, and enterprises are recognized as independent producers of commodities, they ought to compete against each other. Differing diametrically from the cut-throat competition of adverse interests under the capitalist system of private ownership, competition under the socialist system of public ownership is founded on unity of interests based on the premise of cooperation, and it operates through the guidance of state planning and the restraint of law.

5360

CSO: 4006

ECONOMIC PLANNING

VIEWS ON RESTRUCTURING PLANNED MANAGEMENT SYSTEM

Wuhan JIANGHAN LUNTAN [JIANG-HAN FORUM] in Chinese No 3, 15 Sep 79 pp 15-18

[Article by Chen Yuandun [7115 6678 2415] and Sun Yongde [1327 3057 1795]:
"Problems of Restructuring the Planned Management System

[Text] Large numbers of theoreticians and practical workers in the field of planning in our country have launched heated debates on how to restructure the system of planned management in our country. Their views and recommendations are indeed enlightening. Here are our simple and candid observations.

1. In his article on "Planned Economy May Adopt Flexible Plans," Comrade Luo Jingfen [5012 4737 1164] points out that "mandatory planned quotas handed down by the state have become more and more obstructive to the development of production" and should be abolished. "As far as enterprises and localities are concerned, state plans are only flexible guidelines, and by no means are binding."¹ This suggestion ought to be examined carefully.

The need for uniform state plans is dictated by the very nature of socialist planned economy, the objective law of developing the national economy at a given ratio, and the performance of the vital functions of the economic organizations of a socialist state. Comrade Mao Zedong said: "The human race has been developing for hundreds of thousands of years, but only recently has China succeeded in bringing about conditions favoring a planned development of her economy and culture." "To build a strong socialist state, there must be unified central leadership, unified plans, and discipline. Obstruction of this essential unity is not to be tolerated."² Comrade Zhou Enlai pointed out: "Nationwide construction should be kept strictly planned and disciplined.... Plans worked out at various levels must stay within unified state plans, and all local organizations are jointly responsible for implementing state plans under centralized leadership."³ Unified planning by the state requires that all localities, departments, and enterprises draw up their respective plans for activities according to the program, policy, and political and economic tasks of the party at the time. All national economic activities should be comprehensively balanced and merge directly or indirectly with the uniform plans at all levels. Uniform plan discipline must be strictly enforced. All localities, departments, and

enterprises must carry out the state rules and regulations for administering the plans and economic projects approved and handed down by the state. They cannot introduce changes or do what they think fit.

Mandatory planned management within given limits is the best way to insure that uniform plans are carefully drawn up and faithfully carried out. This kind of direct planned management not only sets forth the scope, pace, and ratio of major national economic developments but also gets those economic operations that are under indirect planned management to work out their plans in agreement with the requirements of the socialist planned economy. Most major national economy operations which affect the needs of the whole country require close coordination and cooperation by many localities, departments, and enterprises. Direct planned management by the state is the only way to achieve large-scale unified coordination and accounting to insure that all required financial and material resources amassed by the state are applied according to plans and priorities in such areas as capital construction, assistance to backward localities, correction of irrational use of productive forces, and readjustment and establishment of vital ratios governing the development of the national economy. Under direct planned management by the state, overall plans could be worked out to deploy rationally the labor force of the whole country and mobilize their activism to build socialism, implement the policies and programs of the party, and enhance the realization of our country's socialist modernization. If [direct planned management] were abolished so that localities, departments, and enterprises could formulate and carry out their plans based on their own interests and facilities, it would usher in a situation where everyone works only for himself. How could that contribute to the speedy development of our national economy in accordance with established plans and ratios?

For 30 years our country has been carrying out unified mandatory state plans, and the 30-year history attests that mandatory plans are good for speed. Our industrial and agricultural production developed fast during the period of the First Five-Year Plan and between 1965 and 1966, after the economic readjustment of 1961, scoring rather high in quantity, quality, consumption, and profit. Then, Lin Biao and the "gang of four" disrupted the planning work and did so much damage to the national economy that even now, many quotas and enterprises are still below the high point of development once achieved. Facts show that the problem is not the system of mandatory planning; it is whether we have done enough to achieve coordinated balance and actions according to objective laws. The disruption due to exceedingly high quotas of 1958 and the anarchical state of government during the reign of the "gang of four" are examples of a lack of comprehensive coordination and a disregard for the ratios required by objective laws. When plans are not well balanced and are defective, relations of proper proportions are bound to break down. So the real problem is a lack of comprehensive coordination, rather than the system of planning. Our industrial and agricultural gross output value has increased as rapidly as our national revenue. This shows Comrade Luo Jingshen's thesis that "mandatory plan quotas handed down by the state have become more and more obstructive of the development of production" is not borne out by reality.

Judging by the changes introduced in the planned management system in Romania, a socialist country, unified planned management under centralized state leadership and mandatory state plans are preserved, even though excessive centralization of state plans has been modified. Yugoslavia favors a combination of market economy and socialist planning in its economic management. Plans worked out by the enterprises are given the force of law after being coordinated at "five different levels" and finalized as factory plans, social contracts, and social plans. The pace of economic development in both Romania and Yugoslavia has been considerably speeded up.

Once "flexible planning" was put into practice, how could state plans and the plans of enterprises be organically related? According to Comrade Luo Jingfen: "During the progress of drawing up plans, the state ought to reach to the grassroots level to understand actual conditions, listen to the views of the enterprises, and study carefully the position of the enterprises. As soon as the draft state plan is ready, the representatives of the enterprises should be consulted and mobilized to draw up plans for the grassroots units in accordance with the objectives of the state plan." The first half of the statement is correct, because it is a scientific approach to the formulation of state plans. The second half, however, deserves further consideration. If each enterprise "should work out its own independent plans according to sales contracts, orders, and market predictions without having to submit them to higher authorities for approval," it would be very difficult to carry out state plans. It must be noted that in a socialist state, the relationship between the state and the enterprises is that of a unity of opposites that are basically identical in interests, even though there are contradictions of interests between the whole and its parts and between long-range and immediate objectives. Inasmuch as an enterprise is only a cell, a small portion, of the national economy, if there were no mandatory quotas prescribed by the state, [the enterprise] would not be able to know the requirements of the whole country. Left alone to consider and handle its business, it would be concerned primarily with its own interests and operate apart from state plans. This would encourage each to do as it pleased and would throw the development of the national economy into confusion.

It is true, as Comrade Luo Jingfen says, that indirect planning was once applied to a few rural people's communes where the communes and production brigades were not assigned quotas by the state. But we must not forget that planned management of collective agricultural economy at that time was not strictly indirect planning. In addition to controlling their economic activities indirectly by means of policies, regulations, and economic measures, the state directly handed down mandatory tasks regarding the requisition and purchase of principal agricultural produce and byproducts, and it brought into the orbit of state plans the production and sale of products by rural communes and production brigades in order to insure full satisfaction of the demand for agricultural produce and byproducts by the state for production, construction and the improvement of the people's livelihood.

There are, of course, abuses in economic operations. Comrade Luo Jingfen has enumerated the following: "sale determined by production and dislocation of production and sale; pursuit of value and quantity of production instead of economic efficiency; indiscriminate emphasis on increasing stable products and failure to produce seasonable and new products; haggling over advantages, investments and material resources; and crash spending at the end of the year." All this is true, but the causes vary. They involve both planned management and planning itself. These are the disastrous consequences of the interruption and damage done to planned management by Lin Biao and the "gang of four." We do not think we could blame the system of planned management and mandatory quotas handed down by the state for all the abuses. Otherwise, no reform would bring about anticipated results if mandatory plans were abolished to make room for changes based on these views, which misplace changes and leave weaknesses unattended to.

7. Our emphasis on unified planning and direct planning does not rule out the need and urgency for reform.

We believe the problems plaguing our existing system of planned management are: too much ground covered by state plans, too rigid control, and scope of planned mandatory quotas too extensive. The activities involved in developing the national economy are too numerous and complicated. If the state were to exercise direct control over everything in a country as populous and expansive as ours, it would have difficulty gaining firm control over widely different conditions. This is likely to breed subjectivism, shoddy performance, indiscrimination, and failure to pay equal attention to all. Overloaded with too many responsibilities, the central government departments are unable to study and manage major national economic developments well. At the same time, localities and enterprises, due to lack of autonomy, simply cannot take the initiative in the work of planned management. Reliance on the administrative system to provide administrative measures to manage the economy tends to break up the inherent organic relations in economic developments, obstruct extensive cooperation and comprehensive utilization of resources in industry, and affect the successful division of labor and cooperation between different regions. Any reform of the planned management system will have to find solutions to these problems.

First, excessive centralization of state plans must be changed, the scope of mandatory plans should be cut back reasonably, and the regulating functions of the law of value should be brought into play. Plans for major quotas in the development of the national economy should still remain under mandatory planned management by the central authorities. Indirect and social planning may be applied to those quotas and economic activities which should not and could not be managed directly by the state. The state can carry out direct planning by means of programs, policies, and precise economic measures. Working from the grassroots upward, social planning should be coordinated and balanced at each level until it is brought into the orbit of unified state plans, so as to insure the development of the national economy according to plans and established ratios.

The most important point to note in developing the unified planned management of the national economy, in light of the existing conditions in our country, is to understand and utilize fully the regulating force of the law of value by combining both planned and market adjustments, with more emphasis on planned adjustments in the national economy. We must consider the objective requirements of the law of value and make good use of such economic leverages as prices, taxation, profit, cost, and credit to achieve comprehensive coordination and economic accounting.

Second, allow the localities to do more things within the framework of unified planning. As for relations between the central and local authorities, we believe the power of decision over programs and policies concerning the whole country and major quotas of the national economy should rest with the central authorities. No locality or enterprise should be permitted to make separate decisions and act separately. However, "under the premise of strengthening the unified leadership of the central authorities, the localities should enjoy more power, a greater degree of autonomy, and the authority to do more things."⁴ Bring local activism into full play. In view of the excessive centralization in our country at present, the various localities should be given more autonomy in economic planning, capital construction, finance, material resources, and foreign trade. Every locality must do its utmost for agriculture and do locally whatever it can to promote agriculture, forestry, animal husbandry, farm byproducts, fisheries, local industry (especially agriculture-supporting industry), manufacture of exports, local transportation services, and civilian construction. No effort should be spared in developing urban utilities and other services. This is the only way to help the four modernizations and improve the livelihood of the people.

Third, we must extend autonomy to enterprises in planning and financial administration. Industrial and agricultural enterprises are basic production units, and the staff, workers, and commune members who work in these enterprises are direct producers. Only by mobilizing their activism and initiative can we achieve high-speed production and construction and build a solid foundation. In reforming their system of planned management of the economy, both Yugoslavia and Romania, in spite of minor differences, expanded the power of their enterprises and stressed their material interests and responsibility for profit and loss. Using profit, bonuses, prices, taxation, and credit as economic leverage, they increased the power of the enterprises over finance. Using the experience of foreign countries that befits our own conditions, we believe the first step is to increase the power of enterprises in planning economic activities. Under our existing system of planned management, quotas assigned by the state to state-operated enterprises are too numerous and too rigid. Moreover, many quotas are handed down independently by different departments without coordination. From now on, we must consider allowing only one unit in charge to hand down a limited number of major quotas. Each enterprise may work out its overall plan to meet the requirement of quotas on the strength of market demands, availability of raw materials, its own economic interests, and practical

considerations. A system of economic contracts which defines mutual economic responsibilities of various units concerned should be pursued to insure full implementation of plans and proper coordination of production, supply, and marketing. In view of the unique nature of the rural collective economy and agricultural production, rural collective economic enterprises, when conditions permit, should be gradually placed under indirect planned management instead of direct planned management. Mandatory quotas which the state hands down should be limited to requisition and purchase of principal agricultural products. As long as requisition and purchase by the state are insured, production brigades should have the authority to draw up their own production plans. Enterprises should also be given more power over their financial administration. To encourage enterprises to do their economic accounting well and secure the economic interests due them, state-operated enterprises should control their funds, equipment, raw materials, and products. Higher authorities should not be permitted to transfer or allocate them without reimbursement. The existing system for maintaining and using the depreciation fund of fixed assets ought to be overhauled in order to encourage more effective use of the fund and to mobilize the activism and enthusiasm of enterprises in improving their management and business operations. Each enterprise should retain a large percentage of the fund for replacing its equipment, rebuilding, or expanding. The system of free use of the circulating and fixed funds of enterprises should be replaced by a system of paying for the use of these funds. There ought to be a charge for using the fixed fund, while interest may be charged for using the circulating fund. Instead of the free allotment of investment for capital constructions, there might be a system of capital construction loans. A nationwide system of sinking funds for enterprises should be instituted to permit successful enterprises to take possession of the funds through distribution of profit and to use it for their own construction projects, rewards and bonuses, and the collective benefit of staff and workers. Concern for material benefits will make enterprises--as well as their staff and workers--more interested in the business achievements of the enterprises and in pushing for more effective accounting, lower production costs, greater labor productivity, more economic efficiency, and a speedier increase of better products at the lowest cost.

Reforming the planned management system is a tremendous job. In addition to "ideological guidelines" and discussions, penetrating investigation and testing at key centers are very important. This is the only direct and practical way to pursue our economic reforms. We are convinced that we should proceed now with investigations and studies to provide a basis for recommending practical reform programs so that we are all speaking the same language.

FOOTNOTES

1. JINGJI GUANLI [BUSINESS MANAGEMENT] No 2 1979 (Reference to Comrade Luo Jingen's views are taken from this article).

2. "Selected Works of Mao Zedong," Vol 5, pp 250, 276.
3. "Report to First National People's Congress," People's Press, 1957 edition, p 43.
4. "Selected Works of Mao Zedong," Vol 5, p 275.

5360

CSO: 4006

ECONOMIC PLANNING

REFORMS NEEDED IN SOCIALIST COMMERCIAL MANAGEMENT

Nanning SIXIANG JIEFANG [IDEOLOGICAL LIBERATION] in Chinese No 1, 5 Jan 80
pp 45-47

[Article by Zhan Hongsong [6124 1347 2646]: "Reconstructing the Commercial Management System"]

[Text] Socialist commerce, which bridges and links industry and agriculture, cities and villages, consumption and production, is a vital part of our national economy. It provides a system of socialist distribution of commodities and works for the expansion of production and the livelihood of the people. The objectives of socialist commerce cannot be achieved unless we have a scientific management organization, management system, and management method. Our existing system of commercial management, which began with the founding of the People's Republic, is modeled after the Soviet system of commercial management in the 1940's. At that time, the system was effective enough to check speculation and profiteering, to stabilize the market and commodity prices, to bring about socialist transformation of private capitalist commerce, to develop and strengthen socialist commerce, and to bring prosperity to the socialist market. But the shortcomings of the system have become more and more pronounced as our socialist construction has developed. They have been noted in the following areas:

1. Too many administrative measures in commercial management. Objectively speaking, socialist commerce ought to be organized and managed according to economic laws. But years back, when we used administrative means to manage it, commercial organs were established to match administrative organs both in size and number at every level. As the size of management organization expanded and the number of management personnel increased, efficiency declined. As a result, it takes months to handle a small matter which ordinarily could be resolved in a few days or even a few hours. This means a loss of time, waste, and financial loss. For instance, the Bureau of Commerce of our region has established in the city of Nanning a class-2 pharmaceutical wholesale and supply station that could supply both Chinese and Western pharmaceuticals to Nanning and Base prefectures and also handle local class-3 wholesale operations. But the Nanning Municipal Bureau of Commerce has a pharmaceutical company handling the identical business operations. This increases the number and levels of management organs, and is a waste of manpower, material, and financial resources that could be avoided.

2. Plans too rigid and inflexible. The socialist economy of our country has the basic qualities of both a planned economy and a commodity economy. In the past, we overemphasized planned adjustments and overlooked the commodity economy, or adjustment by market operations, in our commercial management. Activities ranging from production to distribution and from procurement to marketing are decided by orders issued by the state or local government organs. All products are purchased and marketed according to state plans. In reality, it is very difficult, if not impossible, to have all-embracing plans well adjusted to the ever-changing requirements of production and livelihood. On the one hand, commodities required for production and by the people are often in short supply, but on the other hand, lots of commodities are held up in the bottlenecks of commercial management as production units keep on producing them in large quantities. This is indeed a waste of the material resources of society.

3. Irrational flow of commodities due to too many management links. When commercial management organs are patterned after the administration at every level, management bottlenecks are bound to multiply and force the commodity flow to meander or revert. Take farm byproducts, for example. The number of bottlenecks between production and consumption varies from 5 or 6 to more than 10. As a result, the price differential between procurement and resale gets larger and larger, and commodity prices rise as the number of bottlenecks increases. This is detrimental to the interests of the consumer. The procurement price of permission at the place of production in our region is 0.075 cents per jin. But it has to go through six different bottlenecks before reaching the consumer--namely, producer, basic-level commune, county trading company, and municipal wholesale and retail agencies--and absorb 12 different kinds of service charges. The retailer loses money even if he hikes the price to 0.15 cents per jin.

4. Flow of commodities obstructed on two fronts. First, industrial products do not flow freely between urban and rural areas. Secondly, the links between class-2 wholesale and class-3 retail centers are blocked. This has led to a stacking of commodities at the wholesale centers, while retailers do not have enough to sell--overstocked in one place but sold out at the other. There are huge stocks of commodities in the warehouses, but everything is sold out at the storefront. When warehouse stock increases, goods of questionable quality are overstocked. Last year when the commercial system (including supply and marketing cooperatives) took an inventory of its warehouses, the overstocking of commodities was valued at 3.4 billion yuan; 41.25 million yuan of this was written off to cover goods sold at discount because they were not in demand, unsalable, damaged, deteriorated, or overpriced.

Revamping and reform of the system of management of our socialist commerce and unavoidable as the national economy undergoes readjustment. Personally, I believe reforms should begin in the following areas:

First, the establishment of management organs should be in keeping with the law of commodity circulation. This covers breaking away from the pattern of administrative divisions, combining or abolishing superfluous organizations, rectifying the relationship between government administration and commercial management, and placing commercial management and government administrative organs in places where they can most effectively organize the distribution of commodities. The existing specialized central commercial administration bureaus might be changed to corporations to achieve separation of government and commerce. Different kinds of corporations may be established according to the importance and nature of goods commodities in the national economy and the livelihood of the people. For instance, grain and edible oils, cotton and hemp, knit and textile goods, petroleum and chemicals may be handled by specialized corporations under the direct leadership of the central authority. Hardware, means of transport and telecommunications, sugar and tobacco, means of agricultural production, native products, and rejects may be handled by specialized corporations which incorporate the leadership of central authorities and local management. Specialized corporations for food and services, which are mostly local, should all be under local jurisdictions. A class-1 procurement and wholesale station led and administered by a central, specialized, concerned corporation should be set up in a center of intensive production activities. A class-2 procurement and wholesale station set up in a city within one province or autonomous region should be allowed to render interprovincial supply services. If this class-2 station happens to exist in a city which has a city corporation, the class-2 station should handle local procurement and wholesale operations, while the city corporation handles retail operations. When a city and a county are in the same area, there is no need to have a county corporation. All class-3 wholesale operations within the county should be handled by the city corporation. Division of work in the management of commodities should be based on the nature of the commodities, instead of on the difference between urban and rural areas. While commercial organs handle all industrial products, agricultural produce should be handled by the supply and marketing cooperatives. To manage commerce according to economic laws, circulation of commodities must be organized according to economic regions and shipped in the direction of their natural flow, so as to insure speedy and low-cost shipment from the place of production to the place of consumption without having to go through too many checkpoints. This calls for the removal of all barriers between localities, between different echelons of organizations, and between various trades. For instance, certain industrial products could be allocated and shipped directly from the factory to the destination. Agencies which handle agricultural produce and byproducts separately, including their production, purchase, processing, and sale, should be combined to form a composite whole of agriculture, industry, and commerce in order to bring together production, circulation, and consumption.

Second, planned adjustments and market adjustments should be integrated organically. Our socialist economy is both a planned economy and a commodity economy. Overemphasis on planning without observing the law of value and such market adjustments as price fluctuations in relation to value and

commodity competition would be penalized by objective economic laws. But overemphasis on the role of market adjustments in defiance of state plans would lead to deviations. It therefore takes proper coordination of planned adjustments and market adjustments to achieve brisk commercial operations. Market adjustments make up for the shortcomings of state plans. There ought to be some competition between commercial enterprises to allow commodities to be assessed during circulation, so that the producers will feel the need to improve the usefulness of their products. Concern about the utility value of commodities helps bring production and consumption closer together.

Third, revive and develop multichannel commodity circulation. In the recent past, many effective traditional channels of commodity circulation were blocked because we overlooked the impact of circulation on production. Commercial operations have become so stifled that the channel of circulation is no more than single-lane traffic. This has to change. While upholding the principle of a unified socialist market, we could still revive and develop multichannel commodity circulation, adopt versatile forms of buying and selling, and modify the state monopoly of commerce. Judging by the actual conditions in our country, state-operated commerce, business run by supply and marketing cooperatives, and collective cooperative business will coexist for a considerable length of time. Versatile forms of commerce will develop to supplement the major state-operated commerce. Agriculture, industry, and commerce should gradually merge to form joint entities, and individual workers should be allowed to sell secondary commodities on the streets. Country fair trade should be developed in both towns and villages. The purchase and sale of commodities should be changed from monopolized purchase and sale of industrial products to measures adopted for all kinds of commodities. These could cover monopolized purchase and sale, purchase by ordering, selective purchase, direct sale by industry, and sale by commerce on commission. As agricultural production develops state monopoly of the purchase and sale as well as the requisition of farm produce and byproducts should gradually be cut back. The practice of order by contract and purchase by negotiation should be reasonably extended. The commerce unit of one locality should be permitted to sell commodities in the locals of another commerce unit. Supply and marketing cooperatives should be allowed to set up trading warehouses in large and medium-size cities in order to sell farm produce. Industrial units should be permitted to participate in retail activities at the exhibition and sale of industrial products and at commodity exchanges organized by the commercial units.

Fourth, extend the trading autonomy of commercial enterprises. Commercial enterprises are the principal form of organization for socialist circulation of commodities. As a matter of practice, over 90 percent of the nation's retail business is run by state-operated and collective commercial enterprises, and the former are in control of the circulation of wholesale commodities. Thus, the most important step in the reform of the system of commercial management is to extend the autonomy of the commercial enterprises in business operations and management. This means letting the commercial

enterprises enjoy autonomy in the purchase, sale, and allocation of commodities, in financial transactions, and in the pricing of secondary commodities and personnel administration. Guided by the state plans, the commercial enterprises may be given authority to decide on the variety, quantity, design, and specifications of commodities to purchase or sell according to market demand, business conditions, and economic interests. No higher authority should impose anything by mandatory orders. An enterprise should have the right, under unified plans laid down by higher authorities, to purchase commodities in other localities and to dispose of its own overstocked commodities. As for finance, the existing system of unified receipt and disbursement and reimbursement of the actual amount spent should be abolished. The retention by enterprises of profits earned may be carried out in accordance with state regulations. The profits thus retained may be used to replace equipment, to supplement circulating funds, to finance extensive or spot repairs, and for collective benefit and bonuses of staff and workers. Another portion of the profits may be set aside as a sinking fund of the enterprise, which it should have the authority to use. As for pricing, an enterprise should have the authority to price secondary class-3 commodities. Within a price range prescribed by the state, it should be allowed to adjust prices according to fluctuations of market supply and demand. The price of similar commodities could differ from one enterprise to another to encourage competition. Within limits set by the state on the number of employees, an enterprise has the authority to decide its own form of organization without having to match the higher administrative organs. It could select the best qualified staff and workers and be responsible for their rewards and punishments. When conditions permit, a congress of representatives of the staff and workers may elect leadership cadres below the level of manager and deputy manager, and to recommend to the higher authority the appointment and removal of managers and deputy managers. In extending autonomy to an enterprise, the principle of material benefit should be made manifest, so as to tie together the business of the enterprise as a whole and the material benefits of staff and workers. Additional awards, including material awards, might be given to an enterprise which fulfills the state quotas. If an enterprise fails to fulfill the state quota (including the quota set for the rate of profit), its staff and workers would not receive bonuses, while its manager and deputy manager would each take a 10-20 percent cut in pay until the state quotas are fulfilled.

The reform of the system of commercial management is a rather complicated problem, involving not only the reform of commercial enterprises but also of other economic and labor departments. We must be aggressive and yet cautious. We must strengthen our investigation and research, studying new conditions and new problems and seek solutions to these problems in order to speed up socialist modernization.

ECONOMIC PLANNING

'NANFANG RIBAO' DISCUSSES ECONOMIC STRUCTURE

HK070236 Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT
4 Aug 80

[Report on NANFANG RIBAO 5 August commentator's article: "Unswervingly Establish a Light-duty Economic Structure"]

[Text] Bringing into play the strong points and avoiding the shortcomings, and taking advantage of the superior features are important policies for stressing economic results, speeding up the building of the four modernizations and following the path of Chinese-style modernization. On the question of how to correctly implement this principle in connection with the actual situation in Guangdong, in light of the actual experiences in the past 30 years, at present many cadres hold: We should not promote a so-called self-sufficient industrial system which gives first place to heavy industry; instead, we should unswervingly institute a light-duty economic structure, pool manpower, material and finance resources, and give priority to developing light and textile industries and handicrafts. In our province, we have very favorable conditions for establishing a light-duty economic structure. To sum up, there are three superior features: resources, technology and foreign trade and exports.

The article said: Why couldn't our province bring into play the strong points and avoid the shortcomings over a long period of time in the past? Why did we even forsake strong points for shortcomings? There must be historical reasons for this. During the 10 years of upheaval, the interference and sabotage done by the ultraleftist line of Lin Biao and the "gang of four" was a very basic reason, and its disastrous effects were particularly serious. However, if we sum up the experiences and lessons from the angle of guiding ideology of economic construction, the main problem is that we have questions over how to avoid the shortcomings. In the past, the general viewpoint of comrades who dealt with economic work was: the basis of heavy industry in our province is weak, and there is a shortage of materials like coal, petroleum, electricity and raw materials. If we do not give priority to developing heavy industry, then agriculture and light industries will not be able to develop.

The article pointed out: Weak foundation of heavy industry and shortages of energy are certainly our shortcomings. However, should we avoid our shortcomings for a time? Or should we directly assault these fortified positions? For a considerably long period of time, we adopted storming of heavily fortified positions, and always wanted to construct a self-sufficient industrial system which gave first place to heavy industry, mending the shortcomings first and then bringing into play the strong points. Thus we concentrated our strength to contend for coal production and insure steel production, construct chemical fertilizer plants, and fight eight joint battles. The result was that the shortcomings were not mended, strong points were not brought into play, and we got half the result with twice the effort.

The article said: Cannot we adopt other suitable measures to avoid our shortcomings? If we dare to break away from the ultraleftist line and the trammels of small-scale peasant economy ideology, and do not practice a closed-door policy, draw circles to restrict activities, or depend merely on the province itself, but practice cooperation between provinces and international cooperation and help supply other's needs, then we will be able to avoid our shortcomings to a great extent. Moreover, giving priority to developing light industries and accumulating capital and foreign exchange will provide actual strength for us to develop joint undertakings and cooperation inside and outside the province, and help supply each other's need in the international market. By using this method to handle business, we will be able to make preparations to develop the province's abundant oilfields and nuclear power stations. Of course, these are long-term policies, and distant water cannot put out a fire close at hand. To solve the energy problem, we must resolutely implement the instructions of the central authorities and practice simultaneous exploitation and conservation. In the short term, we must give priority to economizing energy, and devote major energy to launch technical reforms and system improvements centered on economizing energy. In the short term, we must rely on economizing to avoid the shortcomings. We must stop work on a number of "coal tigers" and "electric tigers," to provide electricity and fuel to develop light industries and handicrafts which consume little electricity and less labor. This is the greatest conservation. At the same time, we must adopt active measures to reduce input consumption, and utilize surplus heat. All these are feasible measures. We should build more medium and small hydropower stations and use methane to generate power as far as possible. We have been practicing this since last year, and the result is that the conditions of energy have not changed much, but production has developed and the situation of energy shortage has eased to a certain degree. This fact effectively shows that it is very important to have the correct guiding ideology in order to speed up economic construction and get the proper economic results.

In conclusion, NANFANG RIBAO commentator's article said: It is most worthwhile for our province to give priority to develop light and textile industries and handicrafts for it suits the principle of getting more done on less money. Therefore, while readjusting the national economy, we must cut down some heavy industry and insure the still faster development of light industry. In this respect, we must be more resolute, and speed up things. Heavy industry itself must practice "light duty" and serve light industry better.

CSO: 4006

ECONOMIC PLANNING

PROCEDURES FOR PROPER ENTERPRISE MANAGEMENT OUTLINED

Nanning SIXIANG JIEFANG [IDEOLOGICAL LIBERATION] in Chinese No 1, 5 Jan 80
pp 59-61

[Article by Chen Yizhang [7115 -044 1777]: "Planned Management of Industrial Enterprises"]

[Text] I. The Meaning and Tasks of Planned Management of Industrial Enterprises.

The nature of modern industrial production and the planned ratio of the development of our entire national economy require strict planned management of socialist industrial enterprises. Modern industrial production is complicated, requiring thousands or even tens of thousands of workers who use all kinds of mechanical equipment and tools to work together according to a very minute division of labor. Apart from production operations, an industrial enterprise has to provide production services, such as technology, labor, supply, marketing, finance, as well as handle management problems relating to production relations. Such being the case, it takes a uniform and carefully planned management to organize rationally the activities of such a large number of workers and coordinate various kinds of work within an industrial enterprise. Otherwise, [the enterprise] would be thrown into chaos and unable to proceed with normal production. Moreover, in a planned socialist economy, each industrial enterprise is an integral part of the entire national economy. Only when each enterprise is managed strictly according to plan can the economic plan of the whole nation be implemented to achieve speedy development.

The major tasks of planned management of industrial enterprises are as follows:

1. Drawing up plans. An industrial enterprise has to run its production according to the guidance of state plans. First of all, working from quotas assigned by the state, an enterprise must plan to organize its activities in all areas and links within the enterprise according to the unified plans of the state so as to insure the fulfillment and overfulfillment of the quotas assigned by the state. Guided by this prerequisite, the enterprise draws up supplementary plans commensurate with its capability and the

requirement of production, construction and market demands. In the past, all our enterprises followed a policy of marketing only what they could produce. This violates the basic law of socialist economics, because the purpose of socialist production is to satisfy to the greatest extent possible the material and cultural needs of society and its members. An enterprise which does not produce for this particular purpose produces blindly. Consequently, when an enterprise sets its production quotas, it must follow the principle of coordinating both planned and market adjustments so as to achieve integration of production and marketing and produce to meet market requirements.

2. Achieving balance within an enterprise. To produce a certain industrial product, an enterprise has to have a definite amount of raw materials, fuel, energy, and labor, which exist objectively in a given ratio. The production of industrial products depends on the services of the design and trial-production units, and the auxiliary production and processing units. There is also a ratio between these units. All these must be balanced comprehensively in planning. This balance, by the objective law of development, is only relative and temporary instead of constant and absolute. The responsibility of planned management of an enterprise is to resolve all kinds of new imbalances which crop up during production in order to achieve a new relative balance so as to insure the coherent and successful operation of the whole enterprise. The areas often requiring balancing are: needs and capabilities (tasks and capabilities, including production capabilities and material and financial resources); quantity and quality; the value and quantity of output; production and maintenance; front and rear; temporary and longterm periods; the parts and the whole.

3. Being sure that the manpower, material, and financial resources of an enterprise are rationally and fully used to achieve maximum economic efficiency with the least amount of waste. This means that in drawing up plans, an enterprise must be positive and aggressive on the one hand and yet realistic on the other. At the same time, it must organize well to insure the realization of the plans, and it must pay attention to discovering and resolving various contradictions which emerge during production in order to fulfill the tasks planned by the state.

II. Different Kinds of Plans and Their Contents

The plans of an enterprise include long-term plans, annual plans, and production plans.

1. Long-term plans. Long-term plans (also known as long-range planning) are the long-range technological and financial planning of production of an enterprise for more than 1 year; they constitute the foundation for carrying out the long-term plans of the national economy and a guideline to the enterprise in its production development. To set a clear target for its staff and workers to strive for, each enterprise must draw up a set of long-range plans to raise its level of production, technology, and management

as speedily as possible, according to the needs of the national economy and the actual conditions in the enterprise itself. Generally speaking, such long-term plans should cover the direction in which the products of the enterprise should develop; the scope of the development of production; the level of technological development; technological innovations and modernization of equipment; the level of achievement of economic and technological goals; improvements in production organization, labor organization, equipment safety, and environmental problems; and other important or technical problems.

2. Annual Plans. The annual plan of an enterprise is the most important plan and comprehensively covers the production operations of various parts of the enterprise. Known as the annual technological and financial production plan, it usually includes the following: the production plan--the major portion and nucleus of the plan of the whole enterprise--which determines the categories, quantity, and quality of products to be produced within the planning period; a plan covering technological readiness and research; a supplementary production plan; a plan covering workers' wages; a transportation plan; a plan covering material supplies; a cost plan; and a finance plan. With production as the pivot, these plans should be comprehensively balanced and coordinated to form a unified, organic entity.

3. Monthly Operational Plans. The annual plans of an enterprise could not possibly work out in advance all the details of the production operations of a whole year. This is done only in monthly production plans, which determine the amount of work to be done each month, each 10-day period, and each day by a workshop, section, or cell of a workshop or even by individual workers. The monthly production plans are really measures for implementing the annual plans.

III. The System of Planned Quotas of Industrial Enterprises

The tasks set forth in the plans of an enterprise are quotas represented in figures. Each quota reflects only one economic phenomenon. For instance, the quota of the volume of production explains only the quantity of industrial goods produced. It takes a series of related quotas to reflect the overall production and business operations of an enterprise during a planning period. When these quotas are coordinated, they become the system of the enterprises' planned quotas, which fall into two different categories: quantitative and qualitative quotas. Quantitative quotas are expressed in absolute figures and cover principally the quantity of goods produced, the output value of the commodities, the gross output value, the amount of material supplies required, the number of various kinds of workers, the total amount of wages, the total amount of circulating capital, total financial receipts and disbursements, and the total amount of profit. Qualitative quotas are usually expressed in relative figures, including mainly the utilization rate of facilities, labor productivity, the amount of material resources consumed, the rate of rejects, per unit production cost, the cost of comparable products, the amount of circulating capital tied

down by each 100-yuan worth of output, and the utilization rate of cost. The quantitative and qualitative quotas reflect the "quantity" and "quality" of the production and business of an enterprise. The two are related in dialectical unity. Where there is no quantity, there is no quality. Similarly, if there is no quality, then quantity, no matter what magnitude, is pointless. Consequently, an enterprise must achieve "quantity" and "quality" to produce excellent products inexpensively to meet the needs of society and the state.

At present, the quotas which the state uses to assess an enterprise are product output, quality, profit earned, and contract performance. The principal quotas used to assess an enterprise charged with export tasks are the rate of discharging contractual obligations and the amount of foreign exchange earned. These four principal quotas reflect what the state requires of the enterprises in production and business operations. Each enterprise should work out a three-tiered system of planned quotas for its plants, workshops, and work teams so as to spell out precisely the tasks and objectives of the various levels of management. This is the only way to insure the fulfillment of these four economic quotas.

IV. Formulation, Execution, and Monitoring of Industrial Enterprise Plans

To draw up the annual production technology and financial plans of an enterprise it is necessary to synthesize its long-term plans, long-term economic agreements, the controlling figures of state plans, contract orders, market analysis data, and the condition of the enterprise itself. The work usually goes through certain stages.

1. Preparatory stage. Before the plans are drawn up, the enterprise must make all necessary preparations, principally to study and understand all relevant state programs and policies and the rules and regulations of units and departments concerned, to understand both domestic and foreign market demand and supply situations, to prepare reports on estimates and analysis of the anticipated completion of the plans, to evaluate various quotas, and to collect plausible suggestions made by the masses.

2. Drafting stage. Upon receiving from higher departments the controlling figures and figures confirmed by contracts, an enterprise may begin drafting its plans. This is normally done in three stages. First, under the leadership of the factory director, the various divisions and offices within the factory, led by its planning unit, should be organized to compute the controlling figures and figures confirmed by contracts which the factory has received from the higher departments and prepare drafts of various quotas for the enterprise. Once the drafts are approved by the factory leaders, they are distributed to the several divisions and offices, which draft initial programs of controlling figures, technological lines and measures for the workshops. These programs are then submitted to the planning unit, which presents them to the factory leaders for approval. As soon as they are approved, they are sent down to the workshops. Second, upon receiving

the drafts of planned quotas from the factory planning unit, the workshops mobilize the masses to discuss them and take them as a basis for preparing workshop draft plans to be submitted to the factory authorities. Finally, the draft plans of the workshops are weighed and balanced by the planning unit of the enterprise and other divisions and offices for a final draft of the enterprise's annual production, technology, and financial plan. After being studied and approved by the factory leadership, it is submitted to the higher authority concerned for scrutiny and approval.

3. Final stage. When the draft plan submitted by the enterprise is approved by the higher authority concerned, it is sent down to the enterprise as its official plan. If the draft approved by the higher authority differs from the draft plan submitted by the enterprise, it has to revise and readjust its draft in order for the final plan to be drawn up.

The drawing up of plans is the beginning of planning. The most important work lies in preparing to implement the plans. In doing so, the enterprise must be sure that the quotas are spelled out precisely for every level, and it must do ideological political work well in order to turn the state plan into voluntary action by the masses. In addition, it must work for the realization of technological organization and measures, launch socialist emulation drives, make timely assessments of and promote advanced experience, exploit all potentials, and increase labor productivity.

Periodic checkups insure proper implementation of the plans. Through periodic checkups it is easier to know the extent to which the plans have been implemented and make new adjustments to cover weak links and potentials discovered during production. But the results of the checkups of the implementation of the plans of the enterprise should be made known to the masses from time to time. Advanced groups and individuals should be commended and rewarded, so as to encourage them to keep working for still greater achievements. Those groups and individuals that fall behind should be given direction and active assistance to overcome their difficulties and catch up with the advanced.

END

CSO: 4006

ECONOMIC PLANNING

TIANJIN MEETING ON INDIVIDUALLY-OPERATED BUSINESSES HELD

HK010655 Tianjin City Service in Mandarin 2330 GMT 25 Jul 80

[Text] The Municipal Financial and Trade Committee recently called a meeting of responsible persons of financial and trade offices at various levels of some districts and counties. It studied and formulated regulations for this municipality's development of individually-operated industries and businesses in a well-led and planned manner. At present, there are a total of over 3,000 individually-operated industries and businesses in Tianjin. They play a positive role in enlivening the market, giving the people every convenience in obtaining their daily needs, making up for what the state-owned network lacks, and providing employment for young people.

In order to meet the needs of our country's current level of development of productive forces and enable the individual economy to better supplement the state economy and the collective economy, the meeting decided that, while continuously developing a number of individually-operated repair and assembly services and individually-operated handicraft industries urgently needed by society, we must also resume and develop individually-operated businesses, such as shops run by husbands and wives, fathers and sons, or brothers and sisters. These private businesses can handle daily necessities, native and miscellaneous products, refreshments, beverages, condiments or things used to enhance the flavor of food, tobaccos, wines, confectioneries, vegetables, and so forth. They can concentrate on one single line while developing other undertakings. They can be run by one individual or by three or five persons. But they must not hire workers and practice exploitation.

Those young people seeking employment and unemployed and idle workers in urban areas who are really in the category of non-peasant households and who are specialized in some fields, and those retired personnel who can go into business and find work for one or two unemployed youths can apply for permission to run their own businesses.

Owners of private businesses must have the necessary management skills and meet the requirements for operation. They can make the front part of their home the place of business. Or they may set up their stalls

in areas where business networks or points are inadequate. They may also use shoulder poles to carry things to streets and lanes for sale. Those who meet the requirements and are willing to run their own industries and businesses can be recommended by the neighborhoods concerned for clearance by the industrial and commercial administrations at the district and county levels. They can start business after obtaining a license for operation. The individually-operated businesses can obtain their goods from the responsible companies of state-run commercial undertakings or from trade centers. Within the limits of given policies and principles, they may make their own purchases, process their own goods, recycle waste or old products, and so forth.

The responsible comrades of the organs in charge of financial and trade systems and financial and trade offices at the district and county levels stressed that in developing the individual economy at present, we must pay attention to the readjustment of policy. We must shift from the past policy centering on restrictions and exclusion to a policy of providing positive evidence, holding an enterprise responsible for its own profits and losses and strengthening control. This is to enable the individual economy to really give play to its role in making up for what the state economy and the collective economy lack.

CSO: 4006

ECONOMIC PLANNING

BRIEFS

ANSHAN MANAGERIAL, TECHNICAL TRAINING--Shenyang, 28 Jul--More than 5,400 managerial and technical cadres have attended full-time or part-time courses this year at Anshan. The company plans to train all its cadres above the section level by the end of the year so that they can keep pace with the country's modernization drive. As many as 390 factory directors, party secretaries and heads of various offices under the company were drawn from their work this year to attend by turns a course in enterprise management for a term of 2 1/2 months. About 100 young cadres from factories and mines, below the age of 30 with senior middle school training, were sent to the company's engineering college and the metallurgy school. They were drawn from work for 3 years of study. Upon graduation the best of them will be assigned to leading posts in Anshan's factories and mines. After graduating from the management course, the director and party secretary of the Anshan seamless tube mill gave two courses in management in their own unit. It was attended by 64 section and workshop heads. [Beijing XINHUA in English 0301 GMT 28 Jul 80 OW]

CSO: 4020

GENERAL ECONOMIC INFORMATION

BRIEFS

LANZHOU WORKERS DIFFERENTIATION WORK--Lanzhou commercial departments on 26 July completed their work on differentiating workers from former industrialists and businessmen. At present 1,880 workers who were once wrongly labeled as industrialists have been rehabilitated. Among them, 1,338 were former peddlers, handicraftsmen or men engaged in small business; 494 were petty proprietors and 48 workers salesmen and self-employed laborers. These men will be given the same wages and treatment as other staff members and workers. [Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 7 Aug 80 SK]

CSO: 4006

FINANCE AND BANKING

BRIEFS

FUJIAN BANKING--By the end of June, the People's Banks in Fujian had provided loans amounting to 126 million yuan to develop 326 light and textile industrial items and products that are in short supply. This will increase financial revenue, enliven the markets, improve the people's livelihood and increase foreign exchange. This year, the cotton and woolen mills in the province received 550,000 yuan in bank loans to purchase equipment. The profits of these mills are expected to increase by 250 percent over last year. [Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 25 Jul 80 HK]

GUIZHOU BANK MANAGERS CONFERENCE--The recent Guizhou conference of managers of the agricultural bank branches pledged to effectively support the countryside to develop the production of commodities. The participants pointed out that the agricultural bank and credit cooperatives must implement the policy on agricultural loans and increase the limits of these loans. It is necessary to provide loans to all units in the countryside so long as they are properly run with good economic results. [HK260558 Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 23 Jul 80]

JIANGXI BANKING--The Jiangxi branch of the Chinese People's Bank decided to carry out a trial reform of the banking system in four areas, expand the line of business and enliven the economy. During this year, the branch will set up a number of savings points throughout the province, further expand savings, resume the insurance business so as to increase the income from insurance and, increase the credit funds of the banks. The bank trial point will also handle investments and loans for units with surplus funds, collect rents and water and electricity fees and expand the limits of loan. The cultural services and construction enterprises are also entitled to loans. The banks will also provide limited commercial credits, conduct comprehensive research and put forward proposals to the leading departments of the party and government. Many of these tasks are new and the banks are not very familiar with them. Therefore, the Jiangxi branch demanded that the banks strengthen communications with the various departments and make thorough preparations. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 30 Jul 80 HK]

NEI MONGGOL LOANS--The Hohhot municipal branch of the China People's Bank, Nei Monggol region, granted 1.1 billion yuan of industrial and commercial loans in the first 6 months of 1980. [SK021200 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 27 Jul 80 SK]

XINJIANG TAX REDUCTION--Urumqi, 31 Jul--The Xinjiang Uygur Autonomous Regional CCP Committee and people's government have decided to further reduce taxes levied on special commodities needed by the people of minority nationalities in order to help develop production of these commodities. In the past years the regional CCP committee and people's government not only provided the people with needed assistance in technology, equipment and raw materials but also several times reduced taxes on these commodities. The current tax rate for native pottery and leather products is less than half of the national standard. To further improve the livelihood of these people, the regional CCP committee and people's government have decided to further reduce taxes on these commodities beginning this year. For example, the tax rate for hand-spun knitting wool is reduced from 18 percent of the national standard to 5 percent and that for tobacco from 40 percent to 20 percent. According to an estimate made by the departments concerned, people of all minority nationalities will gain 1 million yuan in economic profit from the tax reduction on tobacco alone. [Beijing XINHUA Domestic Service in Mandarin 0810 GMT 31 Jul 80 OW]

ZHEJIANG REVENUE--Hangzhou, 4 Aug--The amount of revenue registered by Zhejiang Province for the first half of 1980 hit an all-time high, increasing 28.2 percent over the corresponding period in 1979. The amount of financial expenditure for the same period was reduced by 7.3 percent compared with the same 1979 period. The province's gross value of industrial output for the first half of 1980 rose by 31.9 percent and the profits turned over to the state by the province's industrial enterprises rose by 33 percent, compared with the corresponding period in 1979. [Beijing XINHUA Domestic Service in Chinese 0742 GMT 4 Aug 80 OW]

XIZANG TAX HOLIDAY--Lhasa, 1 Aug--All registered and licenced foreign handicraftsmen and retailers in Lhasa will be exempted from all taxes for two years from today, according to a decision made by the Lhasa City Revolutionary Committee in a notice issued on July 22. The city's commercial bureau says there are 64 households of foreign handicraftsmen and retailers in Lhasa. All are Nepalese. Among them are gold, silver and copper smiths and merchants dealing in grocery, woollen fabric and hardware. "The government's decision will lighten our economic burden," a 42-year-old Nepalese grocery-owner named Gaden said. Since he opened the shop in Lhasa in 1959, the business has been brisk. His annual sales average 5,000 to 6,000 yuan, with a net profit of some 1,000 yuan. The decision would bring him a benefit of over 100 yuan, he said. [Text] [OW040240 Beijing XINHUA in English 0701 GMT 1 Aug 80]

FUELS AND POWER

'BA YI' BLAMES DENG XIAOPING FOR LOW OIL PRODUCTION

OW010804 Ba Yi Radio [Clandestine] in Mandarin to China 1400 GMT 31 Jul 80

[Summary from poor reception] "Although oil workers of our country have been doing all they can to extract oil, we have not registered an increase in oil output. It is estimated that our oil output this year will not exceed 106 million tons, which is around last year's output. Therefore, we have failed in fulfilling the plan to rapidly increase production of this valuable raw material. Criticism against comrades Yu Qiuli and Kang Shien are basically correct. Since they have been responsible for China's economic work, including the development of the petroleum industry, they should be held responsible for the mistakes made in their work. It must be pointed out that Comrade Deng Xiaoping should be held principally responsible since he has assumed a more important position."

At the related meetings of the Political Bureau of the CCP Central Committee and the State Council, Comrade Deng Xiaoping time and again issued instructions on quickly increasing oil production by a big margin. In 1978 and 1979, he interfered with the concrete work of the leading comrades in oilfield work on many occasions, thereby disrupting the original oil extraction plan. Several times he ordered increase in the oil production quotas and exploration for oil in the seas and so on and so forth. Disregarding the existing conditions, the present availability of funds and materials and the level of cadres, specialists and workers, the plan for a big-margin oil production increase was passed at these meetings. This would certainly hinder the achievement of the four modernizations.

In the course of the present adjustment of our national economy, we must take effective measures in the light of our present capability to increase our oil production in a planned way. Regrettably, there were people at the central level who forgot past lessons and adopted the same methods as had been used during the great-leap-forward period. Oil prospecting and exploring were going on everywhere. Basic-level units had to take great risks to explore for oil, endangering the workers' lives and the safety of people in general. Such great-leap-forward methods brought serious consequences. The serious accident in the Bohai Gulf north of Shandong is a case in point; it cost the lives of over 70 engineers

and technicians, caused damage to expensive equipment and instruments and incurred a preliminary 33-million yuan loss. This accident was totally avoidable.

It is obvious that any great-leap-forward method, any high production quota and any individual's (?blind) instruction will in no way help our petroleum industry's development. We should modestly learn from past mistakes, seek truth from facts and be courageous in shouldering responsibility. We should never shift responsibility to others just in order to protect one person.

CSO: 4006

FUELS AND POWER

BRIEFS

HEILONGJIANG ENERGY CONSERVATION--Power departments in Heilongjiang Province have paid great attention to energy conservation. In the first half of 1980, 151,834 tons of raw coal and 46.54 million kwh of electricity were conserved. [SK052355 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 1 Aug 80]

HEILONGJIANG GEOLOGICAL RESEARCH--Daqing, 4 Jul--The important achievements in studying the theory on sedimentary facies by Xu Shice, returned overseas Chinese and geologist of Daqing Scientific Research and Design Institute, have made important contributions to the development and construction of Daqing oilfield. His thesis on theoretical research of land and oil deposition has not only provided a theoretical ground for solving the problem of water injection in oilfields, but is also of great significance for insuring high and stable yield of oilfields. Returning to the motherland in 1955, Xu Shice was assigned to Daqing oilfield after graduating from college in 1963, and has engaged in the research of sedimentary facies since 1973. [Beijing XINHUA Domestic Service in Chinese 0212 GMT 4 Jul 80 OW]

HEILONGJIANG HYDROELECTRIC STATIONS--Since the beginning of April, rivers throughout Heilongjiang Province have had high crests, thus providing favorable conditions for small hydroelectric stations to generate power. In the first half of 1980, some 80 small hydroelectric stations in the province generated about 14 million kwh of electricity, equal to the power generated in 1979. [SK311144 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 27 Jul 80 SK]

QINGHAI HYDROELECTRIC STATION--The (Jiangrang) hydroelectric station with a capacity of 1,890 kw was recently completed in Golog Tibetan Auto Prefecture, Qinghai Province. This station is the largest of its kind in the prefecture. Upon completion, it will promote the development of industry and livestock products in the prefecture. [SK011122 Xining Qinghai Provincial Service in Mandarin 2330 GMT 31 Jul 80]

SHANGHAI TRANSMISSION LINE--A 220,000-volt power transmission line pylon was completed on 26 July in Shanghai Municipality. This is part of a power transmission project between Minhang and (Zhoujiadu) and is the highest pylon in the municipality. After the completion of this power transmission project, more power can be supplied to the area east of the Huangpu River. [Shanghai City Service in Mandarin 1130 GMT 26 Jul 80 OW]

JAPANESE PETROLEUM AGENCIES--The opening ceremony for the establishment of the Tianjin agencies of the Japanese Petroleum Development Corporation and the (Johoku) Petroleum Development Corporation was held this noon at the friendship hall of the Friendship Club. Attending the ceremony on invitation were Zhang Wenbin, vice minister of the Ministry of Petroleum and general manager of the Chinese Petroleum Company; deputy mayors Guo Chunyuan and Wang Guangying and responsible persons concerned from Beijing and Tianjin. Zhang Wenbing and Wang Guangying extended their congratulations on the establishment of the Tianjin agencies on behalf of the Chinese Petroleum Company and the Tianjin municipal people's government respectively. The agencies are to join hands with China in exploring and extracting petroleum in the southwest sea area of Bohai in accordance with the contract signed last May in Tokyo by the (Haiyang) branch of the Chinese Petroleum Company and the two Japanese corporations. [Excerpts] [SK302220 Tianjin City Service in Mandarin 1330 GMT 29 Jul 80]

HIGH-TENSION SUBMARINE CABLE--Beijing, 26 Jul--Work has started on laying a 17.5-kilometer-long high-tension submarine cable between coastal Xinjin County of Liaoning Province and the Changshan Islands in the Yellow Sea. This is the longest cable of its kind in China. The 35-kilovolt cable has a capacity of 10,000 kilovolt-amperes. The Changshan Islands, in Changhai County, are one of China's major fishing centers. The project, scheduled to be completed within this year, will boost the county's fishing, agricultural and industrial production. [Text] [Beijing XINHUA in English 1233 GMT 26 Jul 80 OW]

CSO: 4020

MINERAL RESOURCES

SCIENTISTS DEVELOP RESEARCH ON RARE EARTH ELEMENTS

OW130129 Beijing XINHUA in English 0110 GMT 13 Jul 80

[Text] Hohhot, July 13 (XINHUA)--Chinese scientists have developed a number of new materials associated with rare earth metals which are important in industrial and agricultural production.

The new products such as rare earth-magnesium nodular cast iron and permanently magnetic rare earth-cobalt are used in the machine building, electronics, meters and instruments industries, and in medical departments.

Scientists at the metallurgical research institute and other units in Baotou, Nei Monggol, have raised rare earth concentrates up to 60 percent as against 40 in the past. They have also smelted from slag the rare earth-ferrosilicon alloy containing over 30 percent of rare earth and developed over 10 varieties of the new material--permanently magnetic rare earth-samarium-cobalt.

Progress is being made in basic theoretical research concerning the effect of the rare earth elements on iron and steel and the pulverization mechanism of rare earth alloys. Intensive studies are being carried out on how to apply the rare earths to agriculture and to the manufacture of plastics, glass, ceramics and building materials.

The deposit of rare earths in Bayan Obo near Baotou is one of the largest in the world. In recent years, priority has been given to research and development of this project in order to make full use of these valuable resources.

Rare earth elements or rare earth metals include 17 elements. Chemically very active, they form many compounds. Wide use for them has been found in the metallurgical, machine building, petroleum, chemical, glass, ceramics, electronics, pharmaceutical and building material industries as well as in agriculture.

CSO: 4020

MINERAL RESOURCES

BRIEFS

LIAONING GEOLOGICAL GROUP--An eight-member gold deposit geology inspection group led by (Song Shangren), deputy director of the Liaoning Provincial Metallurgical Industry Bureau, departed Shenyang Municipality on 9 July for a visit to North Pyongan Province of the Democratic People's Republic of Korea. The group was seen off at the railway station by responsible comrades of the provincial metallurgical industry bureau and other departments concerned. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 9 Jul 80 SK]

CSO: 4006

HEAVY INDUSTRY

DEVELOPMENT OF MACHINE BUILDING INDUSTRY DISCUSSED

HK120647 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 5,
15 May 80 pp 4-7

[Article by Zhao Dongwan [6392 2639 1354]: "Several Questions in the Present Stage of Development of the Machine Building Industry--Part I"]

[Text] Stalin said that the "machine building industry is the heart of the national economy." This precisely shows the position and role of the machine building industry in modern industrialized countries. In actual fact, the gap between our country and the advanced industrialized countries (including production capacity, labor productivity and the levels of science and technology) is primarily a gap in the single aspect of means of production. In other words, we still lag far behind in the machine building industry. Therefore, to realize the four modernizations, it is necessary for us to improve our knowledge about the importance of the machine building industry. It is only when we improve our knowledge that we can liberate our thinking from various fetters and correctly solve the various problems in the way of developing the machine building industry. Only then can we improve our machine building industry.

1. Products of the Machine Building Industry Must Gradually Enter the World Market

During the "First 5-Year Plan," it was our objective to proceed from copying to designing in our machine building industry. During the "Second 5-Year Plan," we proposed the objective of producing a complete set of component parts for a single unit machinery. Later, we changed our objective to producing a complete set of component parts for whole sets of machinery and whole sets of installations. These objectives are undoubtedly correct. They have played an important role in spurring the development of our machine building industry. What is the future objective of our machine building industry? I think we should gradually put the products of our machine building industry onto the world market. This has both technological and economic significance.

To put a product onto the world market means that it must be competitive. That is, the product should have a high technological quality and

competitive price. For the machine building industry, this is the basic requirement and orientation for future development. It is only through emphasizing the competitive power of machinery products in the world market that we can promote the rapid development of our machine building industry and really fulfill the needs of the four modernizations.

The development of the machine building industry in many capitalist countries centers around the means to put machinery products onto the world market. Why is this so?

1. Only when machinery products have entered the world market can the needs of the domestic market be satisfied and the self-sufficiency of machinery products be enhanced.

Ever since the Japanese Government carried out its "machine building industry promotion scheme," the export of machinery product has increased from 11 percent in 1950 to 50 percent in 1970. This has spurred the overall development of the whole machine building industry.

Capitalist countries occupy the market mainly through competition. This, of course, is supplemented by policies protecting the machine building industry. We should also first have a protectionist policy. However, if we do not catch up with the advanced in our machinery products we will not only fail to compete in the world market but our capacity to supply the domestic market will also be at stake. All customers wish to use installations which are technologically advanced and of good quality. For any particular product, there is always a time limit to the effectiveness of a protectionist policy. One cannot protect a backward product perpetually, otherwise its development will be affected and the product will remain as backward as ever. The competitive power of a mechanical product corresponds to its capacity of self-sufficiency. If a product is competitive in the world market, its capacity to supply the domestic market will correspondingly be increased.

2. The entering of machinery products into the world market will create more foreign exchange for the state.

It is the experience of industrially advanced countries as well as the trend of developing countries to change the commodity constituents constantly. Machinery products are exported extensively for foreign exchange.

Our machine building industry has a considerable foundation and more than 20 years of experience behind it. Why do our products fail to enter the world market? Why are we unable to change our existing export commodity constituent? Our four modernizations demand the accumulation of capital and especially the accumulation of foreign exchange. For this reason, we should export machinery products and technology extensively to acquire foreign exchange.

3. The entry of machinery product onto the world market is beneficial to promoting the development of technology and raising the level of our technology.

Machinery products must be competitive to enter the world market. To be competitive, a product must improve its technological level and the latest achievements of scientific research should be applied to the industry and to be converted into a commodity.

4. The entry of a machinery product into the world market is beneficial to the improvement of enterprise management.

The experience of the Fujian Mindong Electrical Engineering Plant proves that as a result of competition with foreign enterprises in the Hong Kong market regarding their 10 kilowatt domestic electrical appliances, the factory has extensively improved its management.

Therefore, our machinery products should gradually enter the world market. This does not mean that all machinery products should enter the world market at the same time. On the contrary, we should try our best to improve the technological quality and price of our products so that our exports can be gradually expanded. Each line of the machine building industry should choose one or two or even several items and concentrate their resources to put these products onto the world market first. Those products which have entered the world market first can spur and promote the development of the machine building industry. Then the export of products can be gradually expanded so that complete sets of installations can be exported.

II. More Effort Should Be Invested on the Foundation of Machine Building Industry

The principal contradiction of our machine building industry is poor product quality. It must be affirmed that the product quality of our machine building industry has improved considerably due to the efforts invested over the past 2 years. However, it must be pointed out that the problem has not yet been solved. This is mainly manifested in poor performance, short service-life and poor reliability. If the outlook for our machine building industry is to be thoroughly changed, the quality of our products must be improved. How should we improve the product quality of our machine building industry? It is correct to improve overall quality control, but it is not enough to do just that. We must also make a determined effort to improve the foundation of our machine building industry. We must improve our basic and semi-finished components and make use of new materials. This is the foundation of the machine building industry as well as the foundation of improving the quality of machinery products.

1. Improve basic components.

The basic components of the machine building industry include hydraulic press components, pneumatic components, airtight components, transmission component, friction parts (gears, bearing, worm gear and so forth), fragile components, wearable components, higher middle pressure valves, detection components and electronic and electrical components. Their performance and quality has a direct bearing on the performance, quality, reliability and service-life of machinery products. At present, the poor quality and short service-life of the majority of our machinery products is due to the substandard quality of the basic parts. Take the 4M3 excavator for example. Large component parts such as the base and the cantilever beam are comparable with foreign products of the same category. However, the service-life of certain basic parts is much shorter than foreign goods.

For our products, the service-life of the push-press gear is 1 to 1 1/2 years; rack, 2 years; transmission gear, 4 to 5 years; dipper gear, 60,000 tons of ore; dipper handle, 2 years and cantilever plank, 4 years. For American products, the service-life of the push-press gear is more than 5 years; rack, more than 6 years; transmission gear, more than 10 years, dipper gear, 108,000 tons of ore; dipper handle, more than 4 years, and cantilever plank, more than 6 years.

Thus it can be seen that improving product quality is preconditioned on improving the quality and service-life of the basic parts.

Experience in developing the machine building industry abroad points to the same direction. In 1956, the Japanese Government formulated the "machine building industry promotion scheme" and the "temporary measure for the promotion of the electronic and specially designated machine building industries" in 1971. Both of these have clearly prescribed the objectives and measures for promoting basic components. To promote the development of basic components, the French Government organized 15 trade associations for the screw, flange, gear, tools and mould trade. A series of measures were adopted to build the production of basic components. Thus it can be seen that improving the level of basic components should be taken as an important item of technological policy in the machine building industry. It should be regarded as the urgent task of the machine building industry. Meanwhile, basic components should be admitted into the commodity market so that factories producing machine engines can have the freedom to select and buy the best and most economical basic components.

2. Improve the semifinished products (such as casting and forging).

Semifinished products are also the foundation of machinery products. More than 70 percent of the lathe is casting, around 80 percent of the heavy

machinery is casting and forging and more than 60 percent of ordinary machinery, automobiles and electricity generating installations are of casting and forging. The performance of semifinished products, to a great extent, determines the performance of machinery products. This is especially so with regard to strength, wear resistance, fatigue resistance and so forth. It is not uncommon in our country for the poor quality of semifinished products to affect the service-life and performance of the products or even cause serious accidents. Therefore, to improve our product quality, we must first of all improve the quality of semifinished products. On the other hand, improving the quality of semifinished products is also an effective measure to economize on the consumption of energy and materials.

1. Improve the utility of new materials and ordinary materials.

Modern machine building machinery demands several hundred types of special materials. Without the right kind of materials, one cannot produce high quality products that meet the requirement. For instance, by using H-grade insulating material instead of B-grade material, the size of electrical appliances can be reduced by over 34 percent, the weight by 22.5 percent and the amount of iron required can be reduced by 10 percent. Therefore, the quality of the material will greatly affect the performance and quality of the product. Various airtight materials such as high grade natural rubber, synthetic rubber, plastic, graphite and so forth are key materials of fluid mechanics. The automobile industry requires high quality cold rolling plate and hot rolling acid pickling plate. The electrical engineering industry requires ingrades silicon steel and copper wire. The meter industry requires rare metals such as platinum and rhodium. Electricity generating stations and chemical engineering installations require various kinds of heat resistant, high strength, corrosion resistant, and deepfreezing alloy steel materials. The quality of these materials will directly affect the quality of the products or even affect their use. Therefore, we must make a concentrated effort to secure the source and channel of special materials. The machine building industry itself must pay special attention to research on material sciences and technology and make conscientious use of materials (without replacing certain materials with others at will). We must also strengthen research on the technique of material processing.

III. The Policy of Standardizing Technology Should Be Thoroughly Implemented in the Machine Building Industry

Standardization is based on the common technological and economic interests of the design, manufacturing and consuming departments. It is also founded on the experiences of production technology and scientific research with both the existing technological level and the orientation of long-term development in view. It is a technological stipulation jointly formulated by the various departments in accordance with the law of development of science and technology. Standardization is one of the important technological policies of the machine building industry and an important way to organize modernized production. It is also an important component of scientific management.

In the past 20 years, we have achieved results in the standardization of our machine building industry. However, many problems remain. Among them, the most important is the conceptualization and understanding of standardization. The term standardization is developed from the basis of centralization, simplification and mutual exchange. It includes specifications on the product, spare parts, the material used, production process, testing, conditions of organization, quantifying code and, quantifying units. Our understanding of this concept has undergone a process. In the 1950's, we proposed the three criteria of "standardization of spare parts," "generalization of component parts" and "serialization of products." From the present point of view, these criteria played a positive role at that time. However, it must be pointed out that the conceptualization based on these "three criteria" is not exact enough. As a result, it resulted in a certain degree of misunderstanding.

1. The "three criteria" are actually part of the contents of standardization.

The content and meaning of standardization is very extensive. It not only includes the standard for spare parts and machinery products but also includes technical terms, graphs, basic standards, management standards, reliability, cultural production, safety standards and so forth. The use of the "three criteria" can easily be misunderstood to mean that standardization is only confined to the standardization of spare parts for machinery products. In fact, up to now, even for factories of the same category, the graph paper, basic standards and even the technical terms are not unified. The graph paper for one factory will be useless when taken to another factory. One reason is that the scope of standardization is confined to the standardization of spare parts.

2. Once the spare parts have been standardized, the component parts will naturally be generalized. The basis of generalization of component parts is the standardization of spare parts. The standardization of spare parts and the generalization of component parts are not two separate things. The generalization of component parts is in essence also standardization.

3. The serialization of products is an important content of standardization. The serialization of products should be correctly developed and upon such a foundation, new varieties can be extensively developed. This is beneficial to the development of product variety. However, there may be occasions when the serialization of products is only partially understood and gives rise to negative results. Several years ago, it was quite common for customers at trade fairs to fail to obtain the goods they wanted simply because such goods were outside the scope of serialization. As a result, the development of variety was fettered. Therefore, an overall understanding of product serialization is essential; otherwise, misunderstanding may arise.

Recently, some comrades interpreted the "three criteria" as "standardization of goods quality, generalization of spare and component parts and serialization of goods variety." Such an interpretation is worth studying. This is especially so with the "standardization of product quality." Standardization is the condition for guaranteed use. In addition to producing ingrade products and having a rational production process, enterprises should continuously improve their products. Only thus can their goods be competitive in the market. It is impossible for the quality of goods in similar enterprises to be uniform. It is reasonable to demand a standard for the quality of goods but one should not "superimpose" such a quality standard on all goods.

In short, an imprecise understanding of the "three criteria" not only results in a misunderstanding but is also different from the concept of standardization currently in use internationally.

Some personal recommendations for improving standardization for our machine building industry are listed below for reference:

1. International standards should be seriously studied. Those which suit our national conditions should be included in our national standard. It can be seen that international standards are summaries of the experience of many countries and are useful as examples. In addition, existing standards of our country should be as rational and advanced as possible. We should try our best to transform some of our standards into international ones to facilitate the export of our products, technological exchanges and cooperative production with the outside world.
2. National standards should be increased as far as possible. At present, due to the mutual restrain between departments, certain standards cannot be standardized. Standards for items such as airtight components and insulants should be upgraded to national standards as soon as possible. Standards set by enterprises should be transformed into national standards or departmental standards (professional standards) as far as possible. In addition, standards set by enterprise should be higher than the national standards or departmental standard (professional standards). Only then can the enterprises produce high quality goods.
3. The formulation of standards should be based on the principle of conforming to advanced technology and being economically rational. Therefore, due consideration should be given to the views and demands of the departments. Existing standards should be revised after a period of time (generally 3 to 5 years) to insure their advanced nature.
4. Standards should be formulated according to the scientific laws of priority sequence and modulus multiples. (Note: priority sequence is one kind of proportional services. In priority sequence a different ratio can be adopted for different goods, for instance, 1.5, 1.25...and so forth.)

By using priority sequence to determine the parameter of a series of products, it is possible to use the least number varieties and specifications to satisfy the most extensive consumption demands. In addition, such products can be categorized (or graded) with the parameters of related goods, materials and spare parts according to the same principle so as to reach a technological harmony.

Modulus is the basic unit of several base numbers (such as 0.1, 0.5, 2.5, 12.5) and is used in component measurements. Its measurement constitutes its whole number multiple. This is called modulus series (or modulus multiple). It is the product of the modulus and the priority multiplier. Modulus multiple is most extensively used in areas which need more coordinated measurements such as the building industry and panel boxes, brackets and meter containers.

CSO: 4006

LIGHT INDUSTRY

BRIEFS

QINGHAI INDUSTRY--Industrial departments in Xining Municipality, Qinghai Province, have actively marketed by themselves extra or new industrial products not governed by the state plans. As of the end of May, the volume of self-marketed products reached 6 million yuan in Xining Municipality, up 300 percent over the corresponding 1979 period. [Xining Qinghai Provincial Service in Mandarin 1100 GMT 28 Jul 80 SK]

SALT SOCIETY FOUNDED--Tianjin, 7 Jul--Scientific and technical personnel of China's salt industrial front held a congress at the Tanggu salt farm in Tianjin from 23-30 June to conduct academic interchange. On the closing day the salt society of the Chinese Light Industry Society was founded. The congress elected 55 council members of the salt society with Zhang Qizhi as chairman. The congress also approved the salt society's regulations and plan for future activities. Some 33 treatises were read out at the congress. [OW091725 Beijing XINHUA Domestic Service in Chinese 0803 GMT 7 Jul 80]

SHANDONG TEXTILE MILL--A textile mill equipped with Japanese machinery is now in trial production in Zibo City, Shandong Province. The mill will produce 2,185 tons of acrylic yarn a year--the equivalent of 6.5 million sweaters. [Text] [Beijing XINHUA in English 0704 GMT 1 Aug 80 OW]

LIAONING SILK INDUSTRY--Shenyang, August 2--Total output value of the tussah silk industry in Liaoning Province, northeast China, in the first half of this year was 30 percent over the same 1979 period. Liaoning accounts for around 70 percent of the country's total output of tussah silk textiles. Over 100 new products were produced in the first six months of this year, four of them were rated to be top quality products. Quality records were achieved in silk reeling, weaving, printing and dyeing. The province now produces more than 300 varieties of tussah silk. Almost half of them find ready international markets. The "Yajiang" tussah silk, a national silver medal winner, has become a favorite at home and abroad. Production this year is expected to be 3 million metres, almost double that of 1979. Nine major tussah silkworm breeding centres have been built and measures taken to popularize good strains of silkworms and wipe out endemic diseases. In addition to state filatures, more than 100 silk reeling workshops have been built by people's communes and their sub-divisions. [OW040142 Beijing XINHUA in English 1232 GMT 2 Aug 80]
CSO: 4020

CAPITAL CONSTRUCTION

BRIEFS

ANHUI URBAN HOUSING CONSTRUCTION--Anhui Province built a total of 560,000 square meters of living quarters for urban residents in the first half of 1980. [OW300641 Hefei Anhui Provincial Service in Mandarin 1100 GMT 24 Jul 80]

ANHUI MUNICIPAL HOUSING CONSTRUCTION--As of the end of June, Anqing Municipality in Anhui Province had sold 215 units of living quarters covering 10,904 square meters floor space to offices, enterprises and individuals in order to solve the urban housing problem. The total price of the units was 1.2 million yuan. Property certificates were issued to buyers of the units. [OW300641 Hefei Anhui Provincial Service in Mandarin 1100 GMT 26 Jul 80]

GUANGDONG CAPITAL CONSTRUCTION--The capital construction front in Guangdong has resolutely reduced the scale of capital construction, so as to insure the early completion of the key projects and put them into operation. According to statistics, in the first half of this year, investments in capital construction increased by 19 percent over the corresponding period of last year. Progress of 47 key projects which are of important influence to the national economy and the people's livelihood has been remarkably speeded up. Some 30,000 square meters of college dormitories and school buildings have also been completed, an increase of 100 percent over the corresponding period of last year. During the same period, 880,000 square meters of residential housing for the staff and workers have also been completed. This was an increase of 120 percent over last year. Construction of most of the key projects in the province can be completed and put into operation this year. The provincial people's government recently held a conference of capital construction, which urged the staff and workers to step up completion of the existing projects which are still under construction. [Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 28 Jul 80 HK]

CSO: 4006

DOMESTIC TRADE

TRADITIONAL CRAFTS IN RURAL AREAS BEING DEVELOPED

OW141223 Beijing XINHUA in English 1211 GMT 14 Jul 80

[Text] Beijing, July 14 (XINHUA)--Traditional arts and crafts have developed into popular trades that help increase peasants' income and meet market demand in some densely populated rural areas of China.

In Taizhou Prefecture of east China's Zhejiang Province, one of the major arts and crafts centres in the country, arts and crafts factories have been set up in every county. Art handicraft articles last year earned 100 million yuan for the prefecture, and the total output value of such articles went up by 80 per cent in the first six months of this year compared with the like period of 1979.

Of the 1.5 million working people in Taizhou Prefecture's rural areas, about four thousand people specialize in arts and crafts and over half a million people are now involved in some capacity in these trades.

Among the famous products there are embroidered silk clothes with exquisite designs. Bamboo, wood and stone carvings, toys and scissor-cuts are also popular.

The people in the prefecture also make woven and plaited hats, mats, baskets, door curtains, bags, tea cup cases, biscuit boxes and flower pot cases, using locally grown sisal hemp, bamboo, Chinese alpine rush and other grasses. The prefecture reports that these goods now account for two-thirds of such articles exported through Shanghai harbour, China's biggest foreign trade centre.

In Shantou (Swatow) Prefecture in south China's Guangdong Province, nearly a million women are engaged in drawnwork, which is a long-standing trade in the locality. In local lanes, both elderly women and young girls may often be seen stitching in small groups. Most of the younger women also take part in farm work in the busy season.

The drawnwork they produce includes handkerchiefs, tablecloths, cushions, pillow and bed covers and embroidered clothes. The elaborate patterns, fine workmanship and well-blended colours of the products make them sell well in many countries and regions, the prefecture reports.

In both Taizhou and Shantou prefectures, the average area of farmland for each rural person is only 0.5 to 0.6 mu (a mu is one-fifteenth of a hectare). The labour-intensive arts and crafts have provided outlets for the surplus labour force. In some production teams in Shantou Prefecture, each woman drawnworker earned an average of five hundred yuan last year, according to the report of the prefecture.

CSO: 4020

DOMESTIC TRADE

BEIJING TRADE FAIR DOES BRISK BUSINESS

OW011230 Beijing XINHUA in English 1219 GMT 1 Aug 80

[Text] Beijing, August 1 (XINHUA)--A permanent trade fair run by the Beijing Producer Goods Service Company has 19 showrooms full of products from some 500 enterprises in China's capital and other places, including metal products, machinery, electrical equipment, instruments, raw materials for chemical and light industries, building materials, and motor vehicles and spare parts of farm machinery.

Zhao Xifu, chief of the business section of the fair, said that this filled a gap in planned distribution by the state of means of production.

He said that the standard practice in post-liberation China was to make a plan the preceding year to place orders for major producer goods. Extra supplies were more often than not unavailable.

The fair, since it opened in February this year, has had transactions totalling more than 17 million yuan.

The purchasing agent of a copper ingot factory in a Beijing suburb was overjoyed to have bought a 100-k.v.a. transformer at a reasonable price at the fair, as his factory needed one badly and he had been inquiring for several months without success.

"I can tell you many of such stories," Zhao Xifu said. "Being granted more power of self-management, enterprises will have more products that they can sell directly after they meet their state plan. This fair gives them a good place to dispose of their goods."

Trade fairs of this kind are also being organized in other industrial cities in China.

CSO: 4020

DOMESTIC TRADE

SHANGHAI SERVED BY 10,000 TRADERS, PEDDLERS

OWO41214 Beijing XINHUA in English 1200 GMT 4 Aug 80

[Text] Shanghai, August 4 (XINHUA)--The municipal authorities of Shanghai have since the beginning of this year issued licenses to 1,700 individual peddlers and traders, making the total number of such service people in excess of 10,000 in this biggest industrial city of China's.

Some run shops close to their homes, selling cigarettes, and daily necessities or offering services ranging from repairing watches to tailoring. Others set up snack stands on the street. And still others peddle their wares along the streets and lanes, or go from door to door plying their trade.

Business by individual peddlers and traders is being encouraged according to a spokesman of the municipal Bureau of Industry and Commerce, "because it is impossible for government shops to supply all the services needed by the people."

"Life has become more convenient for people in some parts of the city because an increasing number of individual peddlers and traders have begun offering their services," he added.

Individual service workers welcome customers at any time of the day, and some even at midnight. They seldom keep customers waiting as many government-run shops do, and charge less money for the same or even better services. Jiang Guoliang, a 1976 middle school graduate, began making a living by repairing watches two months ago. He is good at repairing worn out watches and clocks which will not be repaired in government-run watch repair shops. He earns a monthly income of approximately 100 yuan after tax.

There were more than 100,000 individual traders and peddlers in Shanghai when it was liberated from the rule of the Kuomintang in May of 1949. Their number had increased to 200,000 by 1955. A year later, the socialist transformation movement was launched to get as many of them merged into co-operatives as possible. By 1966, the number of individual peddlers and traders had dropped to 40,000.

Business by individual peddlers and traders was deliberately suppressed during the cultural revolution (1966-77) as capitalist tendency. In the first quarter of last year, there were only 8,300 individual peddlers and traders in Shanghai.

"Business of this kind is now regarded as a supplement to the state-owned economy," the spokesman for the municipal bureau of industry and commerce emphasized. "And individual labourers are part of the working people."

The current theory is that small-scale production undertaken by individual working people will not "generate capitalism" as was said during the cultural revolution, so long as these people do not exploit others and do their business legally.

USO: 4020

DOMESTIC TRADE

'RENMIN RIBAO' RUNS 'YUNNAN RIBAO' COMMENTARY ON PEDDLER LICENSING

OW111321 Beijing XINHUA Domestic Service in Chinese 1206 GMT 10 Aug 80

[Text] RENMIN RIBAO on 10 August publishes excerpts of a YUNNAN RIBAO short commentary on some individual businesses in Kunming Municipality having received operating licenses.

The short commentary points out: Kunming Municipality has issued operating licenses to 395 individual businesses. This will positively help develop production, stimulate the market and convenience the people in their daily lives. Responsible departments concerned everywhere should take measures to restore some individual businesses step by step and expand them in a planned way.

Individual businesses are the individual economy run by urban and rural self-employed laborers and an indispensable complement to the socialist economy. The level of development of the production forces in our country is still rather low at this stage. A considerable portion of the production of small commodities and service trades depends on manual labor. They are better to be operated by individuals. Not only is the economy of ownership by the whole people and of collective ownership unable to wholly replace them at present, but it is necessary for them to exist for quite a time to come. In Yunnan, a frontier area where transportation is rather difficult, minority nationalities are numerous, the production level is lower than other areas of the country and commodity economy is quite undeveloped, it appears still more necessary to restore and expand some individual businesses. In hardly accessible mountain areas, individual retailers and itinerant peddlers there and in places near towns should be encouraged to serve villages and remote mountain areas, both selling and purchasing. With the consent of production brigades, some commune members can also be organized to do "part-farming-part-business" jobs or to do peddlars' work or small business in slack seasons. This would help develop production and improve quality of service.

Some comrades have apprehensions in promoting this work, fearing the accusation of being regressive or supporting the development of capitalism.

As a matter of fact, restoring and expanding some individual businesses is an important policy adopted in the light of practical experience. Earlier, Yunnan had a considerable number of individual businesses in urban and rural areas. Later, under the influence of the ultraleft ideological trend, a number of improper policies were adopted and small businesses totally disappeared. As a result, commodities could not circulate well and people experienced inconvenience in their daily lives. After the implementation of various economic policies following the third plenum of the CCP Central Committee, Yunnan Province has restored over 5,000 individual small businesses. People in urban and rural areas enjoy more convenience in shopping and having repairs done. When socialist public ownership is completely dominant, expanding some individual small businesses in a planned way rightly complements the shortcomings of the state and collective industrial and commercial enterprises. This is progression, not regression. Individual small businesses operated by self-employed individuals within the limits permitted by law, without exploiting others, cannot be described as capitalism. Therefore, we should continue to eliminate the influence of the ultraleft ideological trend and boldly do a good job in this important task of restoring and expanding individual small businesses.

It is also necessary to do ideological and political work among individual small businessmen and strengthen the leadership over their operation. They must be made to understand the significance of this policy and their social status should be duly recognized so that they can do their work without anxiety. Their legitimate interests should be protected. The industrial and commercial administrative departments should carry out the work of registration and license issuance and of supervision over the opening and closing of these individual small businesses. They should be given the same treatment in obtaining wholesale commodities.

The short commentary also points out: To encourage individual peddlers to make sales and purchases in mountainous areas, corresponding measures should be taken in line with this policy.

CSO: 4006

DOMESTIC TRADE

BRIEFS

BEIJING METALLIC MATERIAL MARKET--Beijing, 2 Aug--The Beijing metallic material market opened for business yesterday. Located in the building of the Beijing Municipal Metallic Material Company, the market carries shaped steel of all kinds, pig iron, cast iron pipes, nonferrous metallic materials, hard alloyed metallic items and rare metals and its total transactions for its first day of business amounted to 350,000 yuan. Its principal customers are enterprises, PLA units, government agencies, schools, rural communes and production brigades and neighborhood enterprise units. The market has three supply stations in Beijing. [OW040240 Beijing XINHUA Domestic Service in Chinese 1644 GMT 2 Aug 80]

GUANGDONG TRADE FAIRS--In the first half of this year, 1,139.37 million yuan worth of business was transacted at the trade fairs in the cities and countryside throughout Guangdong. This was an increase of 19.97 percent over the corresponding period of last year. The amount of transactions from these trade fairs is equivalent to 11.18 percent of the total retail sales of commodities throughout the province. There are now more varieties of products in these trade fairs. During the same period, product prices in 26 trade fairs in the province were reduced by 7.1 percent over the corresponding period of last year. However, the price of fowl and fish increased. [HK051345 Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 2 Aug 80 HK]

CSO: 4006

FOREIGN TRADE

BRIEFS

ANHUI EXPORTS--Anhui Province achieved remarkable results in developing exports during the first half of this year. The total purchase of commodities for export amounted to 295 million yuan, accounting for 51.1 percent of the annual target. This was nearly 100 million yuan more than the 1979 corresponding period. The export business directly handled by the province was \$18 million, or 38.9 percent of the total quota set for the year. This amount was some 20 percent higher than the record for the corresponding period of last year. [OW301411 Hefei Anhui Provincial Service in Mandarin 1100 GMT 29 Jul 80]

GUANGDONG COUNTY FOREIGN TRADE--In the first 6 months of this year, Nanhai County earned 84.56 million yuan in procurement for foreign trade, which is 65.4 percent of this year's plan for foreign trade procurement, an increase of 20.6 percent compared with the same period of last year. [Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 30 Jul 80 HK]

CSO: 4006

TRANSPORTATION

EXPERTS, OFFICIALS DISCUSS USE OF CHANGJIANG RIVER

OW110056 Beijing XINHUA Domestic Service in Chinese 0811 GMT 10 Aug 80

[Article by XINHUA reporters Xu Shijie, Li Guisheng and Zhou Shihao]

[Excerpts] Wuhan, 10 Aug--At recent discussion meetings sponsored by the Changjiang River Transport Administration, constructive suggestions were made by a number of economic workers, theoreticians and experts on how to make full use of the advantages of this river in developing navigation so that it would play a vanguard role in the drive for the four modernizations. They stressed the need to urge all concerned to pay attention to water transport, in particular to Changjiang River Transport. In their opinion, in order to make full use of the advantages of Changjiang River Transport, it is necessary to make continued efforts to emancipate the mind, assimilate experience and draw lessons from the work over the last 30 years; take this river as the key link in water transport; and make a firm determination to exploit its favorable conditions as much as possible.

The following are the principal ideas and suggestions offered by the comrades at the discussion meetings:

--Attention should be given to the role of the Changjiang River in water transport while planning for the location of industrial plants, the development of transportation and the multipurpose use of water resources in the Changjiang River Valley.

--With regard to management of Changjiang River Transport, it is necessary to do away with the previous practice of "each working on its own in a way resembling the feudal separationist rule." The state of affairs in which there was no thorough shipment involving both the main stream and the tributaries and no direct link between river transport and sea transport should be changed.

--Work targets in the development of Changjiang River Transport and specific measures make full use of the river's advantages and to avoid its unfavorable factors should be set up according to the requirements of national economic development and the present conditions of the river. Emphasis

should be placed on constructing navigation courses and ports, acquiring urgently needed vessels and building modern communications and navigation facilities--all of these are weak links in Changjiang River Transportation.

--It is necessary to raise transportation efficiency and pay attention to economic results. Earnest efforts should be made to solve the problems at present, such as too many accidents, poor quality of work, low efficiency and unsatisfactory service.

The comrades participating in the discussion meetings offered the above ideas and suggestions after making an overall analysis of the strong points of the Changjiang River. They believe that Changjiang River transportation has at least four major advantages:

1. The Changjiang River is the largest river in China. With a length of 6,300 km, it is the third longest river in the world, next only to South America's Amazon and Africa's Nile. It has more than 3,000 km of navigable courses for vessels including barges in the main stream. There are some 700 tributaries. The river has sufficient water that does not freeze, so it is navigable the year round.
2. The navigable portion of the Changjiang River passes through six provinces and one municipality--namely Sichuan, Hubei, Hunan, Jiangxi, Anhui, Jiangsu and Shanghai--which are noted for their dense populations, rich mineral reserves and abundant products. There are many big cities along the river. Here industry occupies a significant position in the economy, while agricultural production is also well developed. The Changjiang River is connected with the trunklines of the Beijing-Shanghai, Beijing-Guangzhou, Chengdu-Kunming and Jiaozuo-Liuzhou railways. For this reason, there is much cargo to be transshipped through the river.
3. Changjiang River Transport is characterized by large capacity, low cost, low investment required for construction and an energy-saving advantage. According to calculations, the freight capacity of a barge fleet in the Changjiang River is equivalent to that of three or four railway trains. The present freight charge on the river is only one-third what it was in the early post-liberation period. The expenditures of industrial and agricultural production may be cut and production costs reduced if goods are transported via the Changjiang River.
4. There are some 6,000 technicians of various kinds working for Changjiang River Transport. The transportation capacity of the river is 12 times greater than that in the early post-liberation period, and a relatively sound foundation has been laid in regard to navigation facilities. The freight volume shipped by this river has increased 23 times over the past 30 years.

The suggestions made by the experts have received great attention from the Changjiang River Transport Administration. After study by the departments concerned, some of the suggestions are believed to be feasible for immediate implementation, and through a recent overall work meeting, efforts have been made to put these suggestions into practice. The other suggestions have also been seriously handled. Some are to be included in the long-range plan; others are to be submitted to higher authorities for examination and approval. There are also some suggestions that require further study.

CSO: 4006

END

END OF

FICHE

DATE FILMED

Sept. 11, 1980